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HOUSING AND URBAN-RURAL RECOVERY ACT OF 1982

HEARINGS

BEFORE THE

SUBCOMMITTEE ON

HOUSING AND COMMUNITY DEVELOPMENT

OF THE

COMMITTEE ON

BANKING, FINANCE AND URBAN AFFAIRS

HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

SECOND SESSION

PART 1

MARCH 16 AND 17, 1982

Serial No. 97–52

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Committee on Banking, Finance and Urban Affairs

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CONTENTS

MARCH 16, 1982

WITNESSES

ADDITIONAL MATERIAL SUBMITTED FOR INCLUSION IN THE RECORD

March 17, 1982

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HOUSING AND URBAN-RURAL RECOVERY ACT OF 1982

TUESDAY, MARCH 16, 1982

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS,
SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:40 a.m., in room 2128, Rayburn House Office Building, Hon. Henry B. Gonzalez (chairman of the subcommittee) presiding.

Present: Representatives Gonzalez, St Germain, Fauntroy, Lundine, Vento, Lowry, Frank, William J. Coyne, Hoyer, Stanton, Roukema, Wortley, McCollum, Lowery, and Bereuter.

Chairman GONZALEZ. Thank you very much, gentlemen. Again, let us thank you for responding to our invitation and for taking time from your schedules and, as representatives of your organizations, to appear before the subcommittee today.

We are at a critical stage this year with respect to housing, and it is essential that Congress take some positive action this year with regard to our housing programs.

So, today we are beginning the hearings on the Housing and Community Development Act of 1982, H.R. 5731.

There can be no question that the housing industry is in a state of crisis, but let there be no mistake: This is more than just a temporary interest rate crunch. We are faced with something much more fundamental than that. The blunt truth is that this year the Nation must decide whether or not it will maintain its commitment to a national housing program and policy, and whether or not we will address the ills of the industry, and whether or not we will continue our historic effort to provide safe, decent, and affordable housing for the American people.

The dismal housing production figures show one dimension of the crisis: The actual rate of housing starts nationwide decreased by almost 44 percent in the last year. In the Northeast, the rate of housing starts went down by almost 53 percent; in the great North Central heartland, it was even worse, down by 57.7 percent. Even in the South, where building is strongest of all, starts are down by 36 percent.

The housing industry last January reached its sixth consecutive month of starts below a 1-million annual housing units level—which was a slump twice as long as the industry has recorded.

The effects are felt not just in the housing industry itself, but in everything associated with it. The appliance manufacturers, the

lumbermen, the makers of brick and pipe, the skilled and unskilled workers alike, are living through a depression all their own.

The people who sell houses for a living are suffering; the people who simply need to sell their homes and move on to other opportunities are suffering frustration and financial losses. No matter what housing statistics you pull out, the story is the same: Disaster.

The only bright note I have seen is the brave smile of the condemned—a note by a housing economist that things are so bad, they are bound to get better. There is just no way things could be worse—he hopes.

It would be grim enough if all this were curable just by a reduction in interest rates, or just by a brief housing stimulus program, but the problem is deeper than that.

The savings and loan industry is in unprecedented trouble, which means that it has precious little ability to provide mortgage money, no matter what the interest rates are. What is worse, and even frightening, is that there is little evidence that a reduction in the cost of mortgage money would enable the savings industry to recover in its ability to provide mortgage money, at least in the amounts that would be needed to sustain a big recovery in housing production.

Housing is finance. The truth is, the financial underpinnings of housing are rapidly approaching a state of collapse. It will be a long time before the savings industry is going to be able to finance housing on the scale of the past, let alone on the scale that the next years will require, in fact demand.

Even though the housing industry is in a state of depression, and even though its financing lifeblood is threatened with collapse, we must face a third reality, and that is the fact that housing demand in this decade will be unprecedented. The number of Americans who are reaching the age of family formation, the age at which they require housing, will be the greatest in history during this decade.

We need to be able to produce three times as much housing as is presently being built, just to take care of that new demand. Thus, so far as housing needs go, this decade requires more than we have ever before produced. Yet our ability to produce housing is threatened as never before.

With all these facets of crisis clear and indisputable, you would expect that the executive branch of our Government would be expressing concern, would be coming forward with an affirmative plan of action. After all, history shows that no nation, not even our own, has been able to provide for all its housing needs without a deliberate, positive national commitment. It was a national commitment for housing, a national policy to provide housing, that in 5 decades transformed the face of this Nation, and made ours the best housed people in the world.

The response of the administration, incredibly, is not to meet the housing crisis at all, but to shun all responsibility for any positive effort at all.

When we need to make housing affordable, the administration budget calls for zero new assisted housing units in rural areas. For urban areas, there is provision made for only 100,000 new units of

assisted housing for the elderly and handicapped, and that only after we had to pounce on the administration officials—and a throwing out of units that are planned and authorized for every other housing program.

The result: In the face of unprecedented industry crisis, and in the face of unprecedented need, there would be a drop of 46,000 housing starts below what is now in the pipeline. It is a program that calls for less than nothing.

When we need to address the crisis of the savings and loan industry, the administration offers nothing—only an endless wave of mergers that do nothing to strengthen the industry. It is a program of marrying the weak to the weak, not one of bringing the sick back to health.

When we need to make housing affordable for moderate income citizens, the policy of the administration is to do nothing, except repeat pious hopes that interest rates will some day go down—even though they know that the combination of tight monetary policy and unprecedented deficits cannot help but keep interest rates beyond reach, if everything were told by the monetary and fiscal leaders is true.

There has never been a time in the past 50 years that any administration has done more to destroy an industry than the present one has done to destroy housing. Some of this was deliberate: For one of the tenets of supply side economics is that there has been too much credit tied up in housing—that this is an industry that has lived with the protection and nurture of a Federal hothouse, and it is time to take housing out into the cold.

That is why, in the face of disaster, the administration policy is to do nothing—they think housing is an industry that needs to be shrunk to pygmy size—notwithstanding the immense need for housing production. Some of the damage has been perhaps unexpected, the consequence of the failure of economic realities to yield to magic and showmanship.

Politically, we are at a crossroads. We have an administration that is committed to an antihousing policy as far as assistance to the elderly, the poor and the handicapped is concerned. We have an administration that is committed to a nonhousing policy, as far as middle America is concerned.

Yet we know that antihousing and nonhousing will do nothing except to compound our needs and problems. An antihousing and nonhousing policy will send us backward, back to an age when home ownership was a dream open only to the most fortunate few, back to an age when housing was inadequate, overcrowded and overpriced—an age that we thought we had long since left behind.

The administration has said, offer an alternative. The bill before us does just that. Even though for more than a year I have shouted my protestation on that demand of a President who intimidated our opposition leaders, even into saying show us an alternative. My question to our leaders on both sides a year and a month ago was: What do you mean? It is you, Mr. President, that ought to give us the alternatives for what it is you want to kill that has worked, like FHA, like the other programs that have housed America. You are not giving us an alternative. You are saying kill them, not

after having hearings to consider and evaluate, but kill them because of budgetary exigencies and mathematical reasons.

And all I am saying—and this I said, let me say, not only to administration spokesmen but to my own political leaders in and out of the Congress, that it was a terrible mistake to get sucked into that boobytrap. It is, Mr. President, that I demand, give us alternatives.

What is his alternative to the housing programs that have housed America? Not for us, but we are doing it anyway, and we are doing it this way, by the bill you have before us today.

The bill before us, instead of a program of tearing down housing programs, is a program that maintains programs that are needed and that have worked and have proved their value. It is a program that offers better ways of doing things. It is a program that responds to the need of builders to stay in business, to the need of moderate income people to find affordable housing, and to the need to maintain our commitment to a genuine national housing program—a program that provides help to those who must have it, encouragement to those who need it, and survival for an industry that is fighting for its very life.

We face a serious choice this year. It is not a choice between loyalty to a party or commitment to the tenets of a program that has made all these things worse. It is a deeper choice than that. It is a question of whether or not this Nation will continue to deal with its basic needs. It is a question of whether or not we will act where we need to act, and to act in a responsible way to meet a basic national responsibility.

Housing is as basic a need as any. Housing is as basic a responsibility as any. Our choice is simply this, to meet that need and take up that responsibility, or not.

The bill before us is an affirmative answer. It is a comprehensive approach. It is a reaffirmation of an historic and successful national commitment. It is a positive program. It is the bare minimum of what we need, simply to keep from sliding backward.

I had to compromise there in putting my name on this bill. In going through the States last year, we had hearings from the Eastern Shore to California. There is a desperate crying need from the people, and I see it in my own district as well.

This bill is just a minimum that even I feel realistically is not enough. But I am realistic enough to know the political limits, and I am proud to say that at least we have the coherent, unified support of the majority members of this subcommittee on this bill.

So the choice is simple: A housing program or an antihousing program. The outlook is clear, the policy of the administration is plainly to dismantle housing programs without regard to need or merit, and the initiative rests with this subcommittee. If we are to have a realistic housing policy, this is where it must begin, here in this room, and at this moment.

[Chairman Gonzalez' opening statement, along with the text of H.R. 5731 and a summary of the major provisions of the bill, follow:]

March 16, 1982

Chairman Gonzalez' Opening Statement

Today we are beginning hearings on the Housing and Community Development Act of 1982, H. R. 5731.

There can be no question that the housing industry is in a state of crisis, but let there be no mistake: this is more than a temporary interest rate crunch. We are faced with something much more fundamental than that. The blunt truth is that this year the nation must decide whether or not it will maintain its commitment to a national housing policy-- whether or not we will address the ills of the industry, and whether or not we will continue our historic effort to provide safe, decent, and affordable housing for the American people.

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With all these facets of crisis clear and indisputable, you would expect that the Executive branch of our government would be expressing concern, would be coming forward with an affirmative plan of action. After all, history shows that no nation, not even our own, has been able to provide for all its housing needs without a deliberate, positive national commitment. It was a national commitment for housing, a national policy to provide housing, that in five decades transformed the face of this nation, and made ours the best housed people in the world.

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to a genuine national housing program-- a program that provides help to those who must have it, encouragement to those who need it, and survival for an industry that is fighting for its very life.

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The choice is simple: a housing program or an anti-housing program. The outlook is clear, the policy of the Administration plainly to dismantle housing programs without regard to need or merit, and the initiative rests with us in this Subcommittee. If we are to have a realistic housing policy, this is where it must begin-- here, in this room, and at this moment.

97TH CONGRESS
2D SESSION

H. R. 5731

To amend and extend certain Federal laws which establish housing and community and neighborhood development and preservation programs, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 4, 1982

Mr. GONZALEZ (for himself, Mr. ST GERMAIN, Mr. FAUNTROY, Mr. PATTERSON, Mr. LAFALCE, Mr. BLANCHARD, Mr. EVANS of Indiana, Mr. LUNDINE, Ms. OAKAR, Mr. VENTO, Mr. GARCIA, Mr. LOWRY of Washington, Mr. HUBBARD, Mr. D'AMOURS, Mr. SCHUMER, Mr. FRANK, Mr. WILLIAM J. COYNE, Mr. HOYER, and Mr. WILLIAMS of Montana) introduced the following bill; which was referred to the Committee on Banking, Finance and Urban Affairs

---

A BILL

To amend and extend certain Federal laws which establish housing and community and neighborhood development and preservation programs, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Housing and Community Development Amendments of 1982".

93-366 O—82——2

TITLE I—COMMUNITY AND NEIGHBORHOOD DEVELOPMENT AND CONSERVATION

COMMUNITY DEVELOPMENT

SEC. 101. Section 108(a) of the Housing and Community Development Act of 1974 is amended by striking out "1981" and "$300,000,000" in the third sentence and inserting in lieu thereof "1983" and "$225,000,000", respectively.

REHABILITATION LOANS

SEC. 102. Section 312(d) of the Housing Act of 1964 is amended—

(1) by striking out "and" after "1979";

(2) by inserting "and not to exceed $5,500,000 for the fiscal year beginning on October 1, 1982," after "1980," in the first sentence; and

(3) by striking out "$210,000,000" and "1980" in the third sentence and inserting in lieu thereof "$69,000,000" and "1982", respectively; and

(4) by adding the following new sentence at the end thereof: "Of the amount available for loans under this section during any fiscal year beginning on or after October 1, 1982, the Secretary shall utilize at least 60 percent of such amount for rehabilitation loans for one- to four-family dwelling units.".

NEIGHBORHOOD REINVESTMENT CORPORATION

SEC. 103. Section 608(a) of the Neighborhood Reinvestment Corporation Act is amended—

(1) by striking out "and" after "1981,"; and

(2) by inserting the following before the period at the end thereof: ", and not to exceed $15,512,000 for fiscal year 1983".

TITLE II—ASSISTED HOUSING

LOW INCOME HOUSING AUTHORIZATION

SEC. 201. (a) Section 5(c) of the United States Housing Act of 1937 is amended—

(1) by striking out "and" after "1980," in the first sentence of paragraph (1);

(2) by inserting the following before the period at the end of the first sentence of paragraph (1): "and by $807,996,000 on October 1, 1982";

(3) by striking out "and" after "1980" in the second sentence of paragraph (1);

(4) by inserting the following before the period at the end of the second sentence of paragraph (1): "and $12,534,079,000 with respect to the additional authority provided on October 1, 1982";

(5) by redesignating paragraphs (4), (5), and (6) as paragraphs (5), (6), and (7), respectively;

(6) by striking out subparagraph (C) of paragraph (3);

(7) by adding the following new paragraph after paragraph (3):

"(4)(A) Of the additional authority approved in appropriation Acts and made available on October 1, 1982, the Secretary shall enter into contracts aggregating at least $85,000,000 for assistance to projects under section 14.

"(B) Of the balance of such additional authority approved in appropriation Acts and made available on October 1, 1982, which remains after deducting—

"(i) the amount to be provided for assistance to projects under section 14;

"(ii) the amount to be utilized to amend contracts entered into in prior fiscal years;

"(iii) the amount to be utilized to convert assistance made available under section 23 of this Act (as in effect prior to the effective date of section 201(a) of the Housing and Community Development Act of 1974), section 101 of the Housing and Urban Development Act of 1965, or section 236(f)(2) of the National Housing Act to assistance made available under section 8 of this Act; and

"(iv) the amount to be utilized to convert assistance made available under the new construction or

substantial rehabilitation program under section 8 to the existing housing program under such section,

the Secretary may not enter into contracts aggregating—

"(I) more than 41.3 per centum of such balance for existing units assisted under section 8, including assistance provided under subsection (j) of such section; and

"(II) more than 58.7 per centum of such balance for newly constructed and substantially rehabilitated units assisted under this Act, of which at least $102,853,000 shall be made available for such units assisted under this Act other than section 8.

"(C) Not more than $173,485,000 of such additional authority approved in appropriation Acts and made available on October 1, 1982, which remains after deducting the amount to be provided for assistance to projects under section 14 may be utilized to convert assistance under any other provision of law to assistance under section 8 of this Act."; and

(8) by adding the following new paragraph at the end thereof:

"(8) In the case of any authority which is authorized by this section and has been allocated for any fiscal year under section 213(d) of the Housing and Community Development Act of 1974 to a public housing agency for use with respect to units to be assisted other than under section 8 or section

14, the public housing agency may use part or all of such authority for operation of lower income housing projects in accordance with section 9.".

(b) Section 9(c) of such Act is amended—

(1) by striking out "and" after "1980,"; and

(2) by inserting before the period at the end thereof the following: ", and not to exceed $1,600,000,000 on or after October 1, 1982".

OTHER AMENDMENTS TO THE 1937 ACT

SEC. 202. (a)(1) Section 8(c)(1) of the United States Housing Act of 1937 is amended by inserting the following new sentence after the third sentence thereof: "In determining the initial maximum monthly rent for any newly constructed or substantially rehabilitated units for which contract authority was reserved in fiscal year 1982 or prior fiscal years and which have incurred increased development costs as a result of increased interest rates, the Secretary shall include in the determination of the fair market rental a factor reflecting such increased costs; except that in calculating such increased costs the Secretary shall not take into consideration any interest rate to the extent to which it exceeds 14 per centum per annum.".

(2) The amendment made by paragraph (1) shall apply only with respect to assistance contracts entered into on or after the date of enactment of this Act.

(b) Section 9(d) of such Act is amended—

(1) by inserting "(1)" after "(d)"; and

(2) by adding the following new paragraph at the end thereof:

"(2) If, in any fiscal year after fiscal year 1982, the funds which have been appropriated for such year for use under this section are less than the total amount which the Secretary has determined is necessary to make payments pursuant to the standards or formula established under subsection (a)(1) for such year, any revision of the amounts to be paid public housing agencies as a result of such deficiency shall be considered a rulemaking activity of the Secretary and shall be subject to section 553 of title 5, United States Code, and to section 7(o) of the Department of Housing and Urban Development Act.".

OPERATING ASSISTANCE FOR TROUBLED MULTIFAMILY HOUSING PROJECTS

SEC. 203. (a) Section 201(j) of the Housing and Community Development Amendments of 1978 is amended—

(1) by striking out "and" in the first sentence after "1981,"; and

(2) by inserting the following before the period at the end of such sentence: ", and not to exceed $32,000,000 for the fiscal year 1983".

(b) Section 236(f)(3) of the National Housing Act is amended by striking out "September 30, 1982" in the third sentence and inserting in lieu thereof "September 30, 1983".

HOUSING FOR THE ELDERLY AND HANDICAPPED

SEC. 204. (a) Section 202(a)(4)(B)(i) of the Housing Act of 1959 is amended—

(1) by striking out "and" after "1980," in the first sentence;

(2) by inserting ", and to $6,346,220,000 on October 1, 1982," after "1981" in such sentence; and

(3) by inserting the following before the period at the end of the second sentence: "; except that such interest rate shall not exceed 9.25 percent per annum".

(b) Section 202(a)(4)(C) of the Housing Act of 1959 is amended by striking out "$850,848,000" and "1982" in the second sentence and inserting "$770,100,000" and "1983", respectively.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

SEC. 205. (a) Section 305(c) of the Federal National Mortgage Association Charter Act is amended—

(1) by striking out "and" after "1980,"; and

(2) by inserting the following before the period at the end thereof: ", and by $1,216,600,000 on October 1, 1982".

(b) Section 305(k) of such Act is amended to read as follows:

"(k) During fiscal year 1983, the Association may not enter into commitments to purchase under this section mortgages with an aggregate principal amount in excess of $1,973,000,000.".

TITLE III—HOUSING PRODUCTION PROGRAMS

PART A—ONE- TO FOUR-FAMILY HOUSING PRODUCTION PROGRAM

SEC. 301. (a) Section 235(h)(1) of the National Housing Act is amended—

(1) by striking out "The" in the second sentence and inserting in lieu thereof "Except as provided in subsection (q), the";

(2) by striking out "and" after "1971," in the second sentence;

(3) by inserting the following before the period at the end thereof: ", and by $36,700,000 on October 1, 1982; the aggregate amount which may be obligated over the duration of the contracts entered into with the additional authority provided on October 1, 1982, may not exceed $1,100,000,000"; and

(4) by striking out the last two sentences thereof.

(b) Section 235(n) of such Act is amended by inserting "(50 per centum in the case of units assisted under subsection (q))" after "40 per centum".

(c) Section 235(q)(1) of such Act is amended—

(1) by striking out the first sentence and inserting in lieu thereof the following: "Notwithstanding any other provision of this section except subsection (n), the Secretary shall, to the extent authorized in appropriations Acts, make and enter into contracts to make periodic assistance payments on behalf of homeowners, including owners of manufactured homes or individual units in a condominium or cooperative project, to mortgagees or other lenders holding mortgages, loans, or advances of credit which meet the requirements of this subsection.";

(2) by striking out "or at such earlier date" in the last sentence and all that follows in such sentence through "no longer present,"; and

(3) by adding the following new sentence at the end thereof: "In addition to the contracts authorized in subsection (h)(1), the Secretary shall, to the extent approved in appropriation Acts, enter into contracts under this subsection with respect to fiscal year 1983; the aggregate amount paid per annum pursuant to such contracts shall not exceed $350,000,000, and the ag-

gregate amount which may be obligated over the duration of such contracts may not exceed $3,500,000,000.".

(d) Section 235(q)(10) of such Act is amended—

(1) by inserting the following before the semicolon at the end of subparagraph (A): ", or in the case of an individual unit in a condominium or cooperative project, be a first lien or first mortgage described in section 203(n)(2)(A) or 234(b)"; and

(2) by inserting the following before the semicolon at the end of subparagraph (D): "or in the case of an individual unit in a condominium project, which does not exceed 100 per centum of the applicable maximum principal obligation of a mortgage which may be insured in the area pursuant to section 234(c)".

(e) Section 235(q)(14) of such Act is amended by adding the following new sentence at the end thereof: "All funds received from recaptures under this subsection shall be utilized in accordance with paragraph (16).".

(f) Section 235(q) of such Act is amended by adding the following new paragraphs at the end thereof:

"(16)(A) There is hereby created a fund to be used in accordance with this paragraph. There shall be deposited into such fund all amounts recaptured pursuant to paragraph (14).

"(B) Such fund shall be utilized, to the extent approved in appropriation Acts, for the purpose of making payments pursuant to contracts described in paragraph (17)(B).

"(C) Money in the fund not needed for current operations shall be invested in direct obligations of the United States or obligations guaranteed by the United States.

"(17)(A) Except as provided in subparagraph (B), payments on behalf of any mortgagor under this subsection may not exceed 10 years.

"(B) In the case of any mortgagor who, as determined by the Secretary, is unable to assume full payments required by the mortgage after 10 years of receiving assistance under this subsection, the Secretary shall enter into a contract to provide continued assistance to the mortgagor under this subsection by utilizing the fund described in paragraph (16)(A).".

PART B—MULTIFAMILY HOUSING PRODUCTION PROGRAM

SHORT TITLE

SEC. 311. This part may be cited as the "Rental Housing Production and Rehabilitation Act of 1982".

STATEMENT OF PURPOSE AND AUTHORITY

SEC. 312. (a) The purpose of this part is to increase the Nation's stock of rental and cooperative housing and to reduce the housing costs of the residents of such housing by encouraging the construction and rehabilitation of multifamily rental housing projects and cooperative housing projects for

families and individuals without other reasonable and affordable housing alternatives in the private market.

(b) The Secretary of Housing and Urban Development (hereafter referred to in this part as the "Secretary") shall, to the extent approved in appropriation Acts, provide financial assistance to carry out the purpose of this part with respect to multifamily rental housing and multifamily cooperative housing if such cooperative housing is owned by limited dividend corporations, private nonprofit corporations, or other nonprofit corporations or limited dividend entities eligible under section 221 (d)(3) or (e) of the National Housing Act.

(c) Such assistance shall be made available by the Secretary to States, units of local government, or designated agencies of States or units of local government which apply for such assistance in a form and manner prescribed by the Secretary and which are selected for such assistance on the basis of the eligibility and selection criteria and other conditions set forth in this part.

(d) States, units of local government, or agencies thereof which receive such assistance shall utilize it to stimulate the construction or rehabilitation of rental or cooperative housing projects described in subsection (b) by providing—

(1) capital grants;

(2) loans;

(3) interest reduction payments;

(4) grants to finance the purchase of land; or

(5) other comparable assistance, which the Secretary deems appropriate to carry out the purposes of this part, designed to reduce project debt service cost.

AREA ELIGIBILITY CRITERIA

SEC. 313. To be eligible for assistance under this part, a project must be located in an area which is experiencing a severe shortage of decent rental housing opportunities for families and individuals without other reasonable and affordable housing alternatives in the private market. The Secretary shall issue regulations, consistent with the preceding sentence, which set forth minimum standards for determining areas eligible for assistance. Such standards shall take into account the extent and change in the level of poverty, housing overcrowding, the amount and duration of rental housing vacancies, the amount of substandard rental housing, the extent of rental housing production lag, and such other objectively measurable conditions specified by the Secretary which are consistent with the first sentence of this section.

PROJECT SELECTION CRITERIA

SEC. 314. In selecting projects for assistance under this part from among the eligible projects, the Secretary shall make such selection on the basis of the extent—

(1) to which the project or projects described in the application reduce the severe shortage of decent

rental housing opportunities in the area for families and individuals without other reasonable and affordable housing alternatives in the private market;

(2) of non-Federal public and private financial or other contributions which reduce the cost of the project or projects;

(3) to which the project or projects contribute to neighborhood development and mitigate displacement;

(4) to which the applicant has established a satisfactory performance in meeting assisted housing needs; and

(5) to which the assistance requested from the Secretary will provide the maximum number of units for the least cost, taking into consideration cost differences among different areas and differences among the types of projects and tenants being served.

ALLOCATION OF ASSISTANCE

SEC. 315. In providing assistance under this part, the Secretary shall seek to assure a reasonable distribution among eligible areas in different geographic regions, between metropolitan and nonmetropolitan areas, and between States and units of local government or their designated agencies, based on the Secretary's determination of the prior and current capacities of those entities to develop and implement housing initiatives. In addition, the Secretary shall make a

reasonable distribution of assistance among newly constructed, substantially rehabilitated, and moderately rehabilitated projects on the basis of local housing needs and prevailing local housing market conditions identified in the application for assistance.

AMOUNT OF ASSISTANCE

SEC. 316. The amount of assistance provided under this part with respect to a project shall be the least amount which the Secretary determines is necessary to provide, through the construction or rehabilitation of such project, decent rental or cooperative housing of modest design which is affordable for families and individuals without other reasonable and affordable housing alternatives in the private market, including an amount necessary to make rents for units described in section 317(a)(2) affordable for persons and families whose income does not exceed 80 per centum of the median income of the area.

TERMS AND CONDITIONS OF ASSISTANCE

SEC. 317. (a) Assistance under this part may be provided with respect to a project only if—

(1) the owner has entered into such agreements with the Secretary as may be necessary to assure compliance with the requirements of this section, to assure financial feasibility of the project, and to carry out the other provisions of this part;

(2) the owner agrees that, during the fifteen-year period beginning on the date on which 50 per centum of the units in the project are occupied (or in the case of a moderately rehabilitated project, are completed), at least 20 per centum of the units the construction or rehabilitation of which is provided for under the application shall be occupied, or available for occupancy by, persons and families whose income does not exceed 80 per centum of the area median income;

(3) the owner agrees—

(A) to pass on to the tenants any reduction in the debt service payments resulting from the assistance provided under this Act;

(B) not to discriminate against prospective tenants on the basis of their receipt of or eligibility for housing assistance under any Federal housing assistance program; and

(C) not to convert the units to condominium ownership (or in the case of a cooperative, to condominium ownership or any form of cooperative ownership not eligible for assistance under this section);

during the fifteen-year period beginning on the date on which the units in the project are available for occu-

93-366 O—82——3

pancy (or in the case of a moderately rehabilitated project, are completed);

(4) any mortgage secured by the property—

(A) has a principal amount which is not more than the amount which could be insured for the project under section 207 of the National Housing Act, and

(B) bears a rate of interest and contains such other terms and conditions as the Secretary determines are reasonable;

(5) the project is newly constructed or substantially or moderately rehabilitated, contains five or more dwelling units, and is used predominantly for residential purposes; and

(6) the State or unit of local government which receives the assistance certifies to the satisfaction of the Secretary that the assistance will be made available in conformity with Public Law 88–352 and Public Law 90-284.

(b)(1) The Secretary shall provide that if the owner or his or her successors in interest fail to carry out the agreements described in paragraphs (1), (2), and (3) of subsection (a) during the applicable period, the owner or his or her successors in interest shall make a payment to the Secretary in an amount which equals the total amount of assistance pro-

vided under this part with respect to such project, plus interest thereon (without compounding), for each year and any fraction thereof the loan was outstanding, at a rate determined by the Secretary taking into account the average yield on outstanding marketable long-term obligations of the United States during the month preceding the date on which the assistance was made available.

(2) Notwithstanding any other provision of law, any assistance provided under this section shall constitute a debt, payable in the case of any event described in paragraph (1), secured by the security instruments given by the mortgagor to the Secretary.

(c)(1) A mortgage on a project assisted under this part may be insured under title II of the National Housing Act.

(2) Section 817 of the Housing and Community Development Act of 1974 is amended—

(A) by striking out "and" after "1966,"; and

(B) by inserting after "and 1970" the following: ", and the Rental Housing Production and Rehabilitation Act of 1982".

(d)(1) Rents charged for units described in subsection (a)(2) in any such project shall be approved by the Secretary. In approving such rents, the Secretary shall provide that tenants of such units are charged not more than 30 per centum of their adjusted income for rent, including utilities, and shall

require that not less than thirty days prior written notice of any increase in rents be provided to such tenants.

(2) Any schedule of rents submitted by an owner to the Secretary for approval shall be deemed to be approved unless the Secretary informs the owner, within sixty days after receiving such schedule, that such schedule is disapproved.

LABOR STANDARDS

SEC. 318. Any contract for assistance pursuant to this part shall contain a provision requiring that not less than the wages prevailing in the locality, as determined or adopted (subsequent to a determination under applicable State or local law) by the Secretary, shall be paid to all architects, technical engineers, draftsmen, and technicians employed in the development, and all maintenance laborers and mechanics employed in the operation, of the lower income housing project involved; and shall also contain a provision that not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (49 Stat. 1011), shall be paid to all laborers and mechanics employed in the development of the project involved, and the Secretary shall require certification as to compliance with the provisions of this section prior to making any payment under such contract.

AUTHORIZATION

SEC. 319. There is authorized to be appropriated for assistance under this part not to exceed the sum of $1,300,000,000 for fiscal year 1983.

TITLE IV—RURAL HOUSING

AUTHORIZATIONS

SEC. 401. (a) Section 513 of the Housing Act of 1949 is amended—

(1) by striking out "$3,700,600,000 with respect to the fiscal year ending September 30, 1982," in subsection (a) and inserting in lieu thereof "$3,725,600,000 with respect to the fiscal year ending September 30, 1983,";

(2) by striking out "$3,170,000,000" in subsection (a)(1) and inserting in lieu thereof "$3,670,000,000";

(3) by striking out "and" at the end of subsection (a)(3), by striking out the period at the end of subsection (a)(4) and inserting in lieu thereof "; and", and by adding at the end of subsection (a) the following new paragraph:

"(5) not less than $940,000,000 of any amount so approved in an appropriation Act for such year shall be made available for loans under section 515.";

(4) by striking out "September 30, 1982," each place it appears in subsection (b) and inserting in lieu thereof "September 30, 1983,"; and

(5) by striking out subsection (b)(4) and inserting in lieu thereof the following:

"(4) not to exceed $2,000,000 for the fiscal year ending September 30, 1983, for the purposes of section 525(a), and of the amount appropriated for such purposes the Secretary shall make available 50 per centum for counseling purchasers and delinquent borrowers and 50 per centum to carry out outreach activities for the development of domestic and migrant farm labor projects;".

(b) Section 515(b)(5) of such Act is amended by striking out "September 30, 1982" and inserting in lieu thereof "September 30, 1983".

(c) Section 517(a)(1) of such Act is amended by striking out "September 30, 1982" and inserting in lieu thereof "September 30, 1983".

(d) Section 521(a)(2)(D) of such Act is amended—

(1) by striking out "September 30, 1982" and inserting in lieu thereof "September 30, 1983"; and

(2) by adding the following new sentence at the end thereof: "Of such rental assistance authority which is approved in appropriation Acts, the Secretary shall

utilize at least $173,000,000 to provide assistance on behalf of tenants of newly constructed and substantially rehabilitated housing and related facilities for which assistance is provided with respect to such fiscal year under sections 514 and 515."

(e) Section 523 of such Act is amended—

(1) by striking out "$5,000,000" and "September 30, 1982" each place it appears in subsection (f) and inserting in lieu thereof "$15,000,000" and "September 30, 1983", respectively; and

(2) by striking out "fiscal year 1982" each place it appears in subsection (g) and inserting in lieu thereof "fiscal year 1983".

RURAL HOUSING FUND AMENDMENTS

SEC. 402. Section 517(j) of the Housing Act of 1949 is amended—

(1) by striking out paragraph (4) and inserting in lieu thereof the following:

"(4) to provide assistance authorized by section 521(a)(1);"

(2) by striking out "; and" at the end of paragraph (5) and inserting in lieu thereof a period; and

(3) by striking out paragraph (6).

TENANT CONTRIBUTION

SEC. 403. (a) Section 521(a)(2)(A) of the Housing Act of 1949 is amended by striking out "not exceeding 25 per centum of income" in the first sentence and inserting in lieu thereof "not exceeding the highest of the following amounts, rounded to the nearest dollar:

"(I) 30 per centum of the family's monthly adjusted income;

"(II) 10 per centum of the family's monthly income; or

"(III) if the family is receiving payments for welfare assistance from a public agency and a part of such payments, adjusted in accordance with the family's actual housing costs, is specifically designated by such agency to meet the family's housing costs, the portion of such payments which is so designated."

(b) Section 501(b) of such Act is amended by adding the following new paragraph at the end thereof:

"(9) The term 'adjusted income' means the income which remains after excluding such amounts or types of income as the Secretary may prescribe. In determining amounts to be excluded from income, the Secretary may, in the Secretary's discretion, take into account the number of minor children in the household and such other factors as the Secretary may determine are appropriate."

SECTION 502 INTEREST CREDITS

SEC. 404. Section 521(a)(1)(B) of the Housing Act of 1949 is amended by inserting the following before the period at the end thereof: "; except that for persons of low or moderate income who receive assistance under section 502 or 517(a), the amount of assistance in the form of credits may not exceed the lesser of—

"(i) the balance of the monthly payment for principal, interest, taxes, and insurance due under the mortgage remaining unpaid after applying 20 per centum of the mortgagor's adjusted income; or

"(ii) the difference between the amount of the monthly payment for principal and interest which the mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest which the mortgagor would be obligated to pay if the mortgage were to bear interest at a rate of 1 per centum per annum."

DETERMINATION OF NEED FOR HOUSING UNDER SECTIONS 514 AND 516

SEC. 405. Section 514 of the Housing Act of 1949 is amended by adding the following new subsection at the end thereof:

"(h) In making available assistance in any area under this section or section 516, the Secretary shall—

"(1) in determining the need for the assistance, take into consideration the housing needs only of domestic farm labor, including migrant farmworkers, in the area; and

"(2) in determining whether to provide such assistance, make such determination without regard to the extent or nature of other housing needs in the area."

TITLE V—PROGRAM AMENDMENTS AND EXTENSIONS

EXTENSION OF FEDERAL HOUSING ADMINISTRATION MORTGAGE INSURANCE PROGRAMS

SEC. 501. (a) Section 2(a) of the National Housing Act is amended by striking out "October 1, 1982" in the first sentence and inserting in lieu thereof "October 1, 1983".

(b) Section 217 of such Act is amended by striking out "September 30, 1982" and inserting in lieu thereof "September 30, 1983".

(c) Section 221(f) of such Act is amended by striking out "September 30, 1982" in the fifth sentence and inserting in lieu thereof "September 30, 1983".

(d) Section 235(m) of such Act is amended by striking out "September 30, 1982" and inserting in lieu thereof "September 30, 1983".

(e) Section 235(q)(1) of such Act is amended by striking out "September 30, 1982," in the fourth sentence thereof and inserting in lieu thereof "September 30, 1983,".

(f) Section 236(n) of such Act is amended by striking out "September 30, 1982" and inserting in lieu thereof "September 30, 1983".

(g) Section 244(d) of such Act is amended—

(1) by striking out "September 30, 1982" in the first sentence and inserting in lieu thereof "September 30, 1983"; and

(2) by striking out "October 1, 1982" in the second sentence and inserting in lieu thereof "October 1, 1983".

(h) Section 245(a) of such Act is amended by striking out "September 30, 1982" and inserting in lieu thereof "September 30, 1983".

(i) Section 809(f) of such Act is amended by striking out "September 30, 1982" in the second sentence and inserting in lieu thereof "September 30, 1983".

(j) Section 810(k) of such Act is amended by striking out "September 30, 1982" in the second sentence and inserting in lieu thereof "September 30, 1983".

(k) Section 1002(a) of such Act is amended by striking out "September 30, 1982" in the second sentence and inserting in lieu thereof "September 30, 1983".

(l) Section 1101(a) of such Act is amended by striking out "September 30, 1982" in the second sentence and inserting in lieu thereof "September 30, 1983".

FLEXIBLE INTEREST RATE AUTHORITY

SEC. 502. Section 3(a)(1) of Public Law 90–301 is amended by striking out "October 1, 1982" and inserting in lieu thereof "October 1, 1983".

LIMITATION ON AGGREGATE AMOUNT WHICH MAY BE INSURED UNDER THE NATIONAL HOUSING ACT

SEC. 503. Section 531 of the National Housing Act is amended by striking out "1982" and "$41,000,000,000" and inserting in lieu thereof "1983" and "$40,000,000,000", respectively.

EXTENSION OF EMERGENCY HOME PURCHASE ASSISTANCE ACT OF 1974

SEC. 504. Section 3(b) of the Emergency Home Purchase Assistance Act of 1974 is amended by striking out "October 1, 1981" and inserting in lieu thereof "October 1, 1983".

RESEARCH AUTHORIZATION

SEC. 505. Section 501 of the Housing and Urban Development Act of 1970 is amended—

(1) by striking out "and" after "1981," in the second sentence; and

(2) by inserting the following before the period at the end of such sentence: ", and not to exceed $20,000,000 for the fiscal year 1982".

FEDERAL HOUSING ADMINISTRATION GENERAL INSURANCE FUND

SEC. 506. Section 519(f) of the National Housing Act is amended by inserting the following before the period at the end thereof: "and further increased by $240,000,000 on October 1, 1982".

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION GUARANTEE PROGRAM

SEC. 507. Section 306(g)(2) of the Federal National Mortgage Association Charter Act is amended to read as follows:

"(2) During fiscal year 1983, the Association may not enter into commitments to issue guarantees under this subsection in an aggregate amount in excess of $68,250,000,000."

WEATHERIZATION PROGRAM

SEC. 508. Section 422 of the Energy Conservation in Existing Buildings Act of 1976 is amended by adding the following new sentence at the end thereof: "Of the funds authorized by section 1005(l) of the Omnibus Budget Reconciliation Act of 1981 for energy conservation for the fiscal year ending September 30, 1983, not less than $144,000,000 is

authorized to be appropriated to carry out the weatherization program under this part".

FLOOD INSURANCE

SEC. 509. (a) Section 1319 of the National Flood Insurance Act of 1968 is amended by striking out "September 30, 1982" and inserting in lieu thereof "September 30, 1983".

(b) Section 1336(a) of such Act is amended by striking out "September 30, 1982" and inserting in lieu thereof "September 30, 1983".

(c) Section 1376(c) of such Act is amended—

(1) by striking out "and" after "1981,"; and

(2) by inserting the following before the period at the end thereof ", and not to exceed $45,582,000 for the fiscal year 1983".

CRIME AND RIOT INSURANCE

SEC. 510. (a) Section 1201(b) of the National Housing Act is amended—

(1) by striking out "September 30, 1982" in paragraph (1) and inserting in lieu thereof "September 30, 1983"; and

(2) by striking out "September 30, 1985" in paragraph (1)(A) and inserting in lieu thereof "September 30, 1986".

(b)(1) Section 1243(a)(1) of such Act is amended by inserting the following before the semicolon at the end thereof:

"; except that, with respect to fiscal year 1982, such payments may be made from such fund to carry out the program authorized under part C only to the extent of amounts appropriated for such purpose pursuant to section 1251".

(2) Section 1251 of such Act is amended by inserting the following before the period: "; except that not more than $50,000,000 is authorized to be appropriated with respect to fiscal year 1982 for the purpose of making payments to carry out the program authorized under part C".

COUNSELING

SEC. 511. Section 106(a)(3) of the Housing and Urban Development Act of 1968 is amended by striking out "1982" and inserting in lieu thereof "1983".

LIMITATIONS ON PARTICIPATION AGREEMENTS BY FNMA AND FHLMC

SEC. 512. (a) The sixth sentence of section 302(b)(2) of the Federal National Mortgage Association Charter Act is amended to read as follows: "The corporation shall establish limitations governing the maximum principal obligation of conventional mortgages which are purchased by it; in any case in which the corporation purchases a participation interest in such a mortgage, the limitation shall be calculated with respect to the total principal obligation of the mortgage without regard to the interest purchased by the corporation."

(b) The fifth sentence of section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act is amended to read as follows: "The Corporation shall establish limitations governing the maximum principal obligation of conventional mortgages which are purchased by it; in any case in which the Corporation purchases a participation interest in such a mortgage, the limitation shall be calculated with respect to the total principal obligation of the mortgage without regard to the interest purchased by the Corporation."

PURCHASE OF SECOND MORTGAGES BY FNMA AND FHLMC

SEC. 513. (a) Section 302(b) of the Federal National Mortgage Association Charter Act is amended by adding the following new paragraph at the end thereof:

"(5)(A) The corporation is authorized, with the approval of the Secretary, to purchase, service, sell, lend on the security of, and otherwise deal in conventional mortgages which are secured by a second lien against—

"(i) a newly constructed or existing one- to four-family owner-occupied residence the purchase of which was financed in part by such mortgage; or

"(ii) an existing one- to four-family owner-occupied residence the improvement of which was financed in whole or part by such mortgage.

"(B) The corporation shall establish limitations governing the maximum principal obligation of conventional mort-

gages described in subparagraph (A); in any case in which the corporation purchases a participation interest in such a mortgage, the limitation shall be calculated with respect to the total principal obligation of the mortgage without regard to the interest purchased by the corporation. Such limitation shall not exceed the lesser of—

"(i) $15,000 in the case of an individual unit in a condominium project, $40,000 in the case of a single-family residence, and $60,000 in the case of a two- to four-family residence; or

"(ii) an amount which, combined with other indebtedness secured by the dwelling, equals 80 per centum of the appraised value of the dwelling at the time such second mortgage is executed."

(b)(1) Section 302(h) of the Federal Home Loan Mortgage Corporation Act is amended—

(A) by striking out "The maximum principal obligation" and all that follows through the period and inserting in lieu thereof the following: "Such term shall also include a secured loan the proceeds of which are intended to finance, in a secondary manner, the purchase of a newly constructed or existing one- to four-family owner-occupied residence."; and

(B) by inserting "purchased," after "refurbished," in the sixth sentence.

(2) Section 305(a) of such Act is amended by adding the following new paragraph at the end thereof:

"(4) With respect to the purchase of any mortgage secured by a second lien against a residence, such mortgage may be purchased only if the residence is owner-occupied. The Corporation shall establish limitations governing the maximum principal obligation of such mortgages; in any case in which the Corporation purchases a participation interest in such a mortgage, the limitation shall be calculated with respect to the total principal obligation of the mortgage without regard to the interest purchased by the Corporation. Such limitations shall not exceed the lesser of—

"(A) $15,000 in the case of an individual unit in a condominium project, $40,000 in the case of a single-family residence, and $60,000 in the case of a two- to four-family residence; or

"(B) an amount which, combined with other indebtedness secured by the dwelling, equals 80 per centum of the appraised value of the dwelling at the time such second mortgage is executed."

TITLE VI—EMERGENCY MORTGAGE RELIEF

Sec. 601. Title I of the Emergency Housing Act of 1975 is amended to read as follows:

"TITLE I—EMERGENCY MORTGAGE RELIEF

"SHORT TITLE

"SEC. 101. This title may be cited as the 'Homeowners' Emergency Relief Act'.

"FINDINGS AND PURPOSE

"SEC. 102. (a) The Congress finds that—

"(1) the Nation is in a severe recession and that the sharp downturn in economic activity has driven large numbers of workers into unemployment and has reduced the incomes of many others;

"(2) as a result of these adverse economic conditions the capacity of many homeowners to continue to make mortgage payments has deteriorated and may further deteriorate in the months ahead, leading to the possibility of widespread mortgage foreclosures and distress sales of homes; and

"(3) many of these homeowners could retain their homes if they received temporary financial assistance until economic conditions improve.

"(b) It is the purpose of this title to establish a program which will, through emergency mortgage relief payments, prevent widespread mortgage foreclosures and distress sales of homes resulting from the temporary loss of employment and income.

"EFFECTIVE MORTGAGE DELINQUENCY RATE

"SEC. 103. (a)(1) The Secretary of Housing and Urban Development (hereinafter referred to as the 'Secretary') shall, to the extent approved in appropriation Acts, carry out the program established by this title.

"(2) For the purpose of carrying out such program, the Secretary shall contract to make, and make, assistance available under this Act when, on an average monthly basis for a period of three consecutive months—

"(A) the amount of funds represented by mcrt-gage loans and contracts which are accounted for in a mortgage delinquency series maintained by the Federal Home Loan Bank Board and for which payments have been delinquent for sixty days or more, exceeds

"(B) 1.3 percent of all funds represented by mortgage loans and contracts accounted for in such series.

"(3) For the purpose of determining when such assistance is to be made available pursuant to paragraph (2), the Secretary shall take into account all months beginning with or after the third month before the month in which the Homeowners' Emergency Relief Act of 1982 is enacted.

"(4) With respect to the initial occurrence, after the date of enactment of such Act, of the delinquency rate condition described in paragraph (2), the Secretary shall begin to contract to make, and make, assistance available at the be-

ginning of the first month after the month in which the series indicates that such condition has occurred.

"(5) The mortgage delinquency series referred to in paragraph (2) shall be made available by the Federal Home Loan Bank Board to the Secretary and the Congress on a monthly basis and shall contain data on the previous month's mortgage delinquency rate.

"(b)(1) Once assistance is made available, the Secretary shall continue to contract to make, and make, the assistance available until the date on which the mortgage delinquency series referred to in subsection (a)(2) indicates that the amount of funds represented by sixty-day delinquent mortgage loans and contracts accounted for in such series has declined to below 1.2 per centum of all funds represented by mortgage loans and contracts accounted for in such series, except that—

"(A) assistance shall continue to be made available pursuant to contracts entered into before such date, and

"(B) the Secretary shall reinstitute the program established by this title whenever the delinquency rate condition described in subsection (a)(2) reoccurs.

"(2) In any case in which the program is reinstituted, the Secretary shall begin to contract to make, and make, such assistance available beginning with the day after the

date on which the mortgage delinquency series indicates that the delinquency rate condition described in such subsection has reoccurred.

“ELIGIBILITY FOR ASSISTANCE

“SEC. 104. (a) No assistance may be made with respect to a mortgage under this title unless—

“(1) the property securing the mortgage (or other security interest in the case of units in cooperative or condominium projects) is a one- to four-family residence (including one-family units in a condominium project or a membership interest and occupancy agreement in a cooperative housing project) and is the principal residence of the mortgagor;

“(2)(A) the mortgagee has indicated to the mortgagor its intention to foreclose; or

“(B) payments under the mortgage have been delinquent for at least ninety days;

“(3) the mortgage is not insured under title II of the National Housing Act;

“(4) the mortgagor has incurred a substantial reduction in income as a result of circumstances which are beyond the mortgagor's control and render the mortgagor temporarily unable to correct a mortgage delinquency and to resume full mortgage payments; and

"(5) the Secretary has determined that payments under this title are necessary to avoid foreclosure and that there is a reasonable prospect that the mortgagor will be able to—

"(A) resume full mortgage payments within 24 months after the beginning of the period for which such payments are provided or upon termination of assistance under this title;

"(B) commence repayment to the Secretary of the payments made under this title at a time designated by the Secretary; and

"(C) pay the mortgage in full by its maturity date or by a later date established by the Secretary and agreed to by the mortgagee for completing the mortgage payments.

"(b) Upon a determination that the conditions of eligibility described in subsection (a) have been met by a mortgagor, the mortgagor shall become eligible for the assistance described in section 105.

"ASSISTANCE PAYMENTS

"SEC. 105. (a) Assistance under this title shall be provided, to the extent approved in appropriation Acts, in the form of emergency mortgage relief payments made by the Secretary to mortgagees on behalf of mortgagors.

"(b) Payments under this title may be in an amount determined by the Secretary up to the amount of the principal, interest, taxes, assessments, ground rents, hazard insurance, mortgagee's expenses in connection with payments or repayments under this title, and mortgage insurance premiums due under the mortgage, and the initial payment may include an amount necessary to make the payments on the mortgage current. Payments may not exceed amounts which the Secretary determines to be necessary to supplement the amounts, if any, which the mortgagor is capable of contributing toward the mortgage payments.

"(c) Payments under this title may be provided for a period of not to exceed twelve months plus any period of default. Such period may be extended, in the Secretary's discretion, for not to exceed twelve months where the Secretary has determined that such extension is necessary to avoid foreclosure and that there is a reasonable prospect that the mortgagor will be able to make the payments and repayments specified in section 104(a)(5). The Secretary shall establish procedures for periodic review of the mortgagor's financial circumstances for the purpose of determining the necessity for continuation, termination, or adjustment in the amount of the payments. Payments shall be discontinued at any time when the Secretary determines that, because of changes in the mortgagor's financial circumstances, the pay-

ments are no longer necessary to avoid foreclosure or that there is no longer a reasonable prospect that the mortgagor will be able to make the payments and repayments specified in section 104(a)(5).

"(d) All payments shall be secured by a lien on the property and by such other obligation as the Secretary may require. Payments shall be repayable upon terms and conditions prescribed by the Secretary, and such terms and conditions may include requirements for repayment of any amount paid by the Secretary toward a mortgagee's expenses in connection with the payment or repayments made under this title. The Secretary may establish interest charges on payments made under this title; except that such charges shall not exceed a rate which is more than the maximum interest rate applicable with respect to level payment mortgages insured pursuant to section 203(b) of the National Housing Act at the time assistance under this title is approved by the Secretary for the mortgagor. Such charges shall be payable notwithstanding any provision of any State constitution or law or local law which limits the rate of interest on loans or advances of credit. All receipts from repayments made to the Secretary shall be deposited in the miscellaneous receipts of the Treasury of the United States.

"(e) Payments by the Secretary under this title may be made without regard to whether the Secretary has previously

taken action under this title on behalf of the mortgagor, except that payments may be provided on behalf of a mortgagor previously assisted under this title only in cases in which full mortgage payments (and any repayments to the Secretary which may have been requested) have been made by such mortgagor for at least twelve months from the time the previous assistance under this title was terminated.

"AUTHORITY OF THE SECRETARY

"SEC. 106. (a) The Secretary may make rules and regulations which are consistent with the provisions of this title and are necessary to carry out the provisions of this title.

"(b) In the performance of, and with respect to, the functions, powers, and duties vested in the Secretary by this title, the Secretary shall—

"(1) have the power, notwithstanding any other provision of law, whether before or after default, to provide by contract or otherwise for the extinguishment upon default of any redemption, equitable, legal, or other right, title in any mortgage, deed, trust, or other instrument held by or held on behalf of the Secretary under the provisions of this title; and

"(2) have the power to foreclose on any property or commence any action to protect or enforce any right conferred upon the Secretary by law, contract, or other agreement, and bid for and purchase at any foreclosure

or other sale any property in connection with which assistance has been provided pursuant to this title.

In the event of any such acquisition, the Secretary may (to the extent approved in appropriations Acts and notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States) complete, remodel and convert, dispose of, lease, and otherwise deal with, such property.

"(c) Notwithstanding any other provision of law, the Secretary shall also have power to pursue to final collection by way of compromise or otherwise all claims acquired by him in connection with any security, subrogation, or other rights obtained by him in administering this title. Any funds collected by the Secretary under subsections (b) and (c) shall be deposited in the miscellaneous receipts of the Treasury.

"AUTHORIZATION AND EXPIRATION DATE

"SEC. 107. (a) The authority of the Secretary to provide assistance over the duration of the contracts entered into under this title may not exceed an aggregate amount of $760,000,000. Subject to subsection (b), any amount approved in appropriation Acts for such purpose shall remain available until expended.

"(b) The Secretary may not enter into contracts to make assistance under this Act after September 30, 1983.

"NOTIFICATION

"SEC. 108. Each Federal supervisory agency, with respect to financial institutions subject to its jurisdiction, and the Secretary, with respect to other approved mortgagees, shall prior to January 1, 1983, take appropriate action, not inconsistent with laws relating to the safety or soundness of such institutions or mortgagees, to waive or relax limitations pertaining to the operations of such institutions or mortgagees with respect to mortgage delinquencies in order to cause or encourage forebearance in residential mortgage loan foreclosures. For purposes of this section, the term 'Federal supervisory agency' means the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Federal Home Loan Bank Board, the Federal Savings and Loan Insurance Corporation, and the National Credit Union Administration.

"REPORTS

"SEC. 109. (a) Within sixty days after the date of enactment of the Homeowners' Emergency Relief Act of 1982 and within each sixty-day period thereafter prior to October 1, 1983, the Secretary shall make a report to the Congress on—

"(1) the current rate of delinquencies and foreclosures in the housing market areas of the country which

should be of immediate concern if the purposes of this title are to be achieved;

"(2) the extent of, and prospect for continuance of, voluntary forebearance by mortgagees in such housing market areas;

"(3) actions being taken by governmental agencies to encourage forebearance by mortgagees in such housing market areas;

"(4) actions taken and actions likely to be taken with respect to making assistance under this title available to alleviate hardships resulting from any serious rates of delinquencies and foreclosures; and

"(5) the current default status and projected default trends with respect to mortgages covering multifamily properties with special attention to mortgages insured under the various provisions of the National Housing Act and with recommendations on how such defaults and prospective defaults may be cured or avoided in a manner which, while giving weight to the financial interests of the United States, takes into full consideration the urgent needs of the many low- and moderate-income families that currently occupy such multifamily properties.

"(b)(1) The Secretary of Housing and Urban Development shall, after consulting with the Federal Home Loan

Bank Board, conduct a study to determine if a mortgage delinquency series other than the one described in section 103(a)(2) would be a more effective and efficient series to utilize in carrying out this Act.

"(2) The Secretary shall, by April 1, 1983, transmit to the Congress the findings and conclusions of such study along with any legislative recommendations concerning the program established by this title."

SUMMARY OF MAJOR PROVISIONS OF H.R. 5731
HOUSING AND COMMUNITY DEVELOPMENT AMENDMENTS OF 1982

Single-Family Homeownership
Stimulus and Assistance

$1.1 billion is authorized to extend the regular 235 homeownership program which provides subsidies to reduce the mortgage interest rate down to 4 percent; this will stimulate the construction of approximately 10,000 homes for families whose income does not exceed 95 percent of area median income. $3.5 billion is authorized for the 235(q) homeownership program which will provide subsidies to reduce the mortgage interest rate down to 9 1/2 percent for the first ten years of the mortgage. Up to one-half of the subsidy will be recaptured when the property is sold and the recaptured funds may be used to continue assistance for those families who need such assistance at the end of the initial 10-year period. This program will stimulate the construction of approximately 95,000 single-family homes or condominiums for families whose income does not exceed 130 percent of area median income.

$760 million is authorized to provide up to two years of assistance in the form of loans for approximately 76,000 owners of non-FHA insured homes who are facing foreclosure due to an unanticipated loss of income. The program will be triggered when the average default rate over a three-month period, as measured by the Federal Home Loan Bank Board 60-day default series rises to 1.3 percent and will be suspended when the series drop to 1.2 percent.

Multifamily Construction Stimulus

$1.3 billion is authorized to stimulate the construction or rehabilitation of approximately 50,000 to 100,000 multifamily rental or limited dividend cooperative housing units in areas with a severe shortage of affordable rental housing for families without other reasonable and affordable housing alternatives. States and units of local government will apply for funds which may be used as capital grants, loans, interest reduction payments or other comparable forms of assistance to assist developers to reduce the cost of the rental or cooperative project. The assistance will be the amount necessary to make rents for all tenants affordable. For 15 years, 20 percent of the units must be available to tenants whose income is 80 percent of area median or below; the rents charged these tenants may not exceed 30 percent of their adjusted income. Projects will be selected on the basis of several criteria: reduction of rental housing shortage, public and private contributions that reduce project cost, contribution to neighborhood development and lessening of displacement, the applicant community's past performance in meeting assisted housing needs and the cost per housing unit.

HUD Assisted Housing Programs

$12.5 billion is authorized for section 8 lower-income rental housing and the public housing program; $1.7 billion of that amount would be used for public housing modernization. The authorized amount, in addition to funds recaptured from the rent supplement program, would be sufficient to assist approximately 136,000 families, including 15,000 newly-constructed public housing units, 4,000 newly-constructed Indian public housing units, 16,000 section 202 elderly or handicapped units, and 101,000 section 8 existing units (76,000 of which are conversions to section 8 from other assisted housing programs). $1.6 billion is authorized for public housing operating subsidies and public housing authorities may also use development funds to cover operating costs. $32 million is authorized for the troubled projects program, which together with funds transfered from the Rental Housing Assistance Fund would provide a program level of $56 million. $770 million is authorized for section 202 elderly and handicapped housing loans and the maximum chargeable interst rate for that program is set at 9 1/4 percent. A Financial Adjustment Factor is authorized to assist the Section 8 pipeline.

Rural Housing Programs

The bill would reauthorize the major FmHA housing programs, generally at the higher of the authorization or appropriation level provided in fiscal year 1982. These fund would assist approximately 57,200 more families than proposed in the Administration budget. $2.73 billion is authorized for approximately 60,970 section 502 low-income homeownership loans, 40,800 of which would be for previously unassisted units. $398 million is authorized for section 521 rental assistance payments; $173 million of that amount would support 16,420 new units. Additional authorizations include: $25 million for section 504 home repair loans, $25 million for section 504 home repair grants, $25.6 million for section 514 farm labor housing loans, $25 million for section 516 farm labor housing grants, $940 million for section 515 rental housing loans, $5 million for section 524 rural housing site loans, $2 million for section 525 technical assistance grants, $15 million for section 523 self-help housing grants, $3 million for section 523 self-help housing site loans, and $2 million for section 509 construction defects payments. The definition of adjusted income and the percentage of such income that must be contributed to mortgage payments or to rent are amended to conform to requirements of HUD-assisted housing programs. A farmworker housing project could not be rejected based on other types of housing needs identified in an area.

Miscellaneous Amendments

All FHA mortgage and insurance programs provided under the National Housing Act would be extended for one year. Maximum FHA insuring authority would be set at $40 billion for fiscal year 1983.

The Brooke-Cranston emergency home mortgage purchace program is extended through fiscal year 1983. $1.9 billion is authorized for the GNMA tandem program. $68.25 billion is authorized for the GNMA mortgage-backed securities program. $144 million is authorized for the DOE weatherization grant program, $4 million is authorized for the HUD housing counselling program and $20 million is authorized for the HUD research program. The federal flood insurance and crime and riot insurance programs are extended through fiscal year 1983. Amendments would clarify that the statutory limits on first mortgages purchased by FNMA or FHLMC apply to the total mortgage amount whether or not the whole mortgage or a partial interest in the mortgage is purchased. FNMA and FHLMC are authorized to deal in second mortgages which do not exceed specified amounts and which are used to finance home improvements or the purchase or sale of a new or existing home. $225 million in guarantees is authorized for the CDBG section 108 loan guarantee program ($3.666 billion for CDBG and $500 million for UDAG in fiscal year 1983 were authorized in the Omnibus Reconciliation Act of 1981). $68 million is authorized for the section 312 rehabilitation loan program and 60 percent of those funds must be used for the rehabilitation of single-family homes. $15.512 million is authorized for the Neighborhood Reinvestment Corporation.

Chairman GONZALEZ. I thank you, gentlemen, for your patience. And I thank you, Mr. Stanton, and will recognize you, sir.

Mr. STANTON. Thank you very much, Mr. Chairman.

It is with regret that I have to announce, Mr. Chairman, I do not have an opening statement. But I do feel obligated to express on behalf of the administration their thanks for your kind words of encouragement. [Laughter.]

I am impressed with our panel this morning. In many ways you represent the aspirations and the hopes of literally hundreds of millions of people. Your memberships are the people that are literally involved with the bricks and mortar of building America, the people who finance it, and the people who make it possible through their sales organizations to occupy what has been, as the chairman said, the American dream.

It is more than a dream to millions of Americans, but certainly it is still a dream to 99⁹⁄₁₀ percent of the world. And I think it is through your organizations that have come before Congress for decades, presenting your hopes, your aspirations, that has made it possible for us to deliberately and to hopefully accomplish, within our limited resources, the goals which your people want.

There is no doubt that this year is different from many others. We have come to recognize that there are indeed limits upon what the Federal treasury can continue to provide as the necessary capital to carry on what, as I stated before, was indeed a goal of all of us, and that is decent, safe, and sanitary housing for as many Americans as possible.

When we face these realities of the limitations that we must live with, I am reminded that it is regrettable that we do not have greater attendance this morning. I think it can be accounted for by maybe two thoughts: First of course, the limitation on the amount of action on the House floor this week kept many members, I suppose, in their home districts, from both sides of the aisle.

Second, I think, Mr. Chairman, I hope it is that, rather than the feeling that last year was a lesson to all of us, in that what we do

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here is not so important as what we accomplish on the House floor. We saw the results that took place last year. When housing gets partisan, nothing happens, and then our realm of responsibility is removed from us to a higher level.

And Mr. Chairman, regardless of what you say of the administration, they still dictate the final form of any housing bill. It would be my hope, though, as a member of the Housing Subcommittee, to fashion, as best as we possibly can this year, within the realm of this room, a bipartisan approach to these problems. That will be necessary if we are to have an element of respect within the committee and within the Congress itself, to say that we indeed are a Housing Subcommittee that makes an imprint upon the housing construction industry and the housing programs of our country.

We have had a great tradition over the years and it was regrettable that last year we did not have that. So it was with that thought in mind, Mr. Chairman, that while we lack quantity we hope we would have quality here today, which indeed we do, as I look around us. I hope that we can forge this period of nonpartisan, bipartisan support for a housing bill that through the weeks ahead will have indeed, hopefully, a positive impact upon our country and on the road to recovery.

I thank you very much.

Chairman GONZALEZ. I want to thank the distinguished leader here very much for your kind words and express my hope that that will be the case.

I do not think we ever lost sight of the fact that individually we are 1 out of 435 and that you have to have some kind of a give and take in the processes. But this year what I am trying to say is that, with your offer of help, it is most encouraging, because if we give and take, then there is no problem.

Thank you very much.

We will proceed to recognize the distinguished president of the National Association of Home Builders.

Thank you very much again for being with us this morning, sir.

STATEMENT OF FRED J. NAPOLITANO, PRESIDENT, NATIONAL ASSOCIATION OF HOME BUILDERS; ACCOMPANIED BY JIM SCHUYLER, STAFF VICE PRESIDENT AND LEGISLATIVE COUNSEL, NAHB

Mr. NAPOLITANO. Thank you very much, Mr. Chairman. My name is Fred Napolitano and I am a homebuilder from Virginia Beach, Va. And I am testifying today on behalf of the more than 114,000 members of the National Association of Home Builders, known as NAHB.

Mr. Chairman, that number is significant, because since November of 1981 NAHB has suffered a loss of over 9,000 members, and every month that figure is climbing very rapidly through bankruptcies and people that are leaving the industry and trying to find employment elsewhere.

NAHB is a trade association of the Nation's homebuilding industry, of which I am president. Accompanying me today is Jim Schuyler, our staff vice president and legislative counsel.

Mr. Chairman, I will submit, with your permission, the full testimony we have and summarize during this meeting.

Chairman GONZALEZ. Certainly. Without objection, we will do that and the record will show your full statement as prepared, and then you may proceed as you see fit.

Mr. NAPOLITANO. I certainly appreciate the opportunity to lead off this series of comprehensive hearings on the condition of housing in America today and to discuss proposed remedies and solutions to the problems which afflict the housing industry, the hard-pressed potential homebuyer, the renter, and our overall national economy.

My message today is simple and clear: The housing collapse that we feared and prayed would not occur is upon us. Let me emphasize a few key points.

The housing recovery is essential to the recovery of the entire economy. Anyone who does not believe that or understand that by this time is living in a false world. Housing production is in the deepest and longest depression since World War II. Construction unemployment has reached over 1 million. Virtually no young working family seeking housing today can afford a modest new home.

Mr. Chairman, it is with this bleak and pessimistic perspective that we view proposed housing legislation for fiscal year 1982 and fiscal year 1983. In the short term, we are coming to the subcommittee with hat in hand, because we feel that it is the survival of this fragmented, small-business-dominated and important industry and the entire delivery system that is at stake.

Equally as important, I believe, to the future of our country is the ability to restore the opportunity of homeownership and decent shelter for millions of young families, the elderly, the poor, and the not-so-poor, all of whom are fighting a losing battle to meet their housing needs.

Mr. Chairman, I feel like I am reading one of your speeches, and in fact I am. As you said earlier this month, housing is at the crossroads. It is simply not possible to meet the housing needs of the Nation without an affirmative, effective national commitment to housing.

The phrase I have been using all year, Mr. Chairman, is that housing must again become a national priority to preserve the American dream. Enough of the rhetoric, but I do share your strong commitment to housing and some of your indignation and frustration as well.

With that in mind, I believe that there are two key short-term priorities which will help to restore a reasonable level of housing production, that will put people back to work, increase Federal revenues, and help lead the country out of this recession.

First, to stimulate the construction of for-sale housing—single family, condominiums and cooperatives—we strongly support an emergency interest reduction program to be implemented in fiscal year 1982. Such a program would provide Federal assistance to buy down the mortgage interest rates by up to 400 basis points or 4 percent for 5 years, and it would have a growing equity feature. The basic principles of this program are contained in legislation just in-

troduced by Representative Jerry Patterson, which we are pleased to support.

Mr. Chairman, the most important point to make regarding this type of program is timing, the need for immediate action by Congress and the administration, so that this stimulus could begin to take effect during this year's building season. In order to allow builders time to plan and work, such a program would have to be in place and activated by June of this year. Now, I know that is a tight time frame for congressional and administration action, but I believe it is important for you to know what needs to be done in order to achieve the intended results.

Regarding multifamily production, I believe that the most significant action that could be taken to create jobs and stimulate construction would be to push out the HUD and Farmers Home pipeline as quickly as possible, and I'm referring to section 8, section 202, section 515, tandem and public housing construction.

Mr. Chairman, I recognize that this would represent an almost 180-degree reversal for the administration. But the pipeline is the only source of production that could move this year and have an impact on employment and the overall economy.

We are pleased, Mr. Chairman, that your bill addresses the issue of funding and the interest level for the section 202 programs and a realistic financing adjustment factor to section 8 and funding for the GNMA tandem programs. NAHB supports these essential efforts as a minimum to move the existing pipeline and maintain elderly housing production. We would suggest that consideration be given to accelerating the pipeline more rapidly through the fiscal year 1982 supplemental funding for the GNMA tandem programs.

Mr. Chairman, you have long championed the importance of the FHA insurance, the VA guarantee and the GNMA mortgage-backed security programs. We strongly endorse the maximum FHA authority of $40 billion and GNMA authority of $68.25 billion authorized in your bill.

In addition, we will join with you to fight any administration proposal to restrict FHA activity to first-time home buyers or inner-city residents. Such proposals are not in the interest of maintaining the actuarially sound and successful FHA program that we will continue to need in the future.

There are over 200 rural builders who came to Washington last week, representing many other builders who could no longer afford the trip. Their message was that the Farmers Home housing programs represent the only source of mortgage credit in over half of the counties in rural America. Farmers Home is the only effective delivery system of mortgage credit for many rural areas.

The administration's proposed fiscal year 1983 budget for these programs brings them one step closer to elimination. Mr. Chairman, we strongly support the level of funding in H.R. 5731 for rural housing, for rural programs that would essentially maintain the fiscal year 1982 funding levels. In addition, we support a sufficient level of rental assistance funds to make section 515 production feasible, and we will furnish in the near future the figures that we think are needed in that area.[1]

[1] $940 million for section 515; $2.3 billion for section 502 low income; $429 million for section 502 moderate; and $398 million for rental assistance.

Our preoccupation with short-term programs has not given us sufficient time to evaluate the new multifamily program proposed by Representative Schumer and contained in the chairman's bill. We strongly support the development of a workable, cost-effective multifamily rental production program. We welcome Representative Schumer's proposal because it recognizes the need for multifamily production, and we would be pleased to provide detailed comments from our multifamily builders.

Many of our builders have successfully used the section 235 program and fought for the recapture provisions and other recent refinements which have improved the effectiveness of the program. We support its extension and funding in the chairman's bill.

On a more immediate issue, we strongly urge the subcommittee to support the chairman's bill to extend the section 235 program until the end of fiscal year 1982. The program is due to expire on March 31, and we fear that thousands of commitments could be lost unless the extension is approved.

At a time when many builders are barely hanging on and when the section 235 commitments are like precious gems to lower income home buyers, the loss of any units under the program would indeed be tragic. For a variety of reasons, including the harsh winter weather, the delay in processing and buyer cancellations due to economic hardship, extension of the March 31 date is very essential. I hope this legislation can be considered by the full House rapidly and without controversy.

Mr. Chairman, we in the housing industry are truly at the mercy of Congress and the administration at this critical time. What is needed is immediate passage of legislation, such as the Patterson bill, that addresses the current crisis in housing and the economy. I am encouraged that you recognize the need for an affirmative, effective national commitment to housing in your bill, H.R. 5731. You should be proud of the outstanding work that your subcommittee staff on both majority and minority have been doing along these lines. I was very pleased to hear you say, and Mr. Stanton to say also, that you hope you can work this year in a bipartisan atmosphere.

Mr. Chairman, I have met with several of you personally and that has been the message I have been trying to get across to everyone on the Hill: Housing is too critical an issue at this time. We waited last year and we see the results of it this year. It is too critical to be partisan in this regard.

We must be concerned with the American people and what is happening to the American people in their ability to buy affordable homes, to live in decent shelter. And I think it is time we put partisanship aside. Let us get to a bill and to a conclusion that will again house the American people in the style that they have been accustomed to, a style that is needed out there, and will maintain the United States as the best housed country in the world.

Mr. Chairman, I thank you for this opportunity. And I will be happy at the appropriate time to answer any questions.

[Mr. Napolitano's prepared statement, on behalf of the National Association of Home Builders, follows:]

STATEMENT OF

THE NATIONAL ASSOCIATION OF HOME BUILDERS

before the

SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

U.S. HOUSE OF REPRESENTATIVES

on

HOUSING ACT OF 1982

Mr. Chairman and Members of the Subcommittee:

My name is Fred J. Napolitano and I am a homebuilder from Virginia Beach, Virginia. I am testifying today on behalf of the more than 114,000 members of the National Association of Home Builders (NAHB). Mr. Chairman, since November of 1981 NAHB has suffered a loss of over 9,000 members. NAHB is a trade association of the nation's homebuilding industry, of which I am President. Accompanying me today are Robert D Bannister, Senior Staff Vice President for Government Affairs and Jim Schuyler, Staff Vice President and Legislative Counsel.

Mr. Chairman, I certainly appreciate the opportunity to lead off this series of comprehensive hearings on the condition of housing in America today and to discuss proposed remedies and solutions to the problems which afflict the housing industry, the hard-pressed potential homebuyer and renter and our overall national economy.

As you know, Mr. Chairman, we have appeared before this Subcommittee for the last three years and have regularly warned that all signals pointed to a housing depression that would have grave conse-

quences for the national economy and the social and political fabric of our nation unless positive action were taken to avoid such a catastrophe. I do not believe that we underestimated or overdramatized the gravity of the crisis. My message today is simple and clear -- the housing collapse that we feared but prayed would not occur is upon us.

I need not repeat the statistics which are graphically outlined in my testimony.

HOUSING PRODUCTION

- New housing production in 1981 totaled 1.1 million units as against an annual need for new homes that has been estimated conservatively at 1.8 million units throughout the 1980s. Last year was the worst housing production year since 1946.
- 1982 could finish as the worst post-war production year yet. NAHB's optimistic forecast for this year holds annual production to about one million. Housing starts in January fell to a seasonally adjusted annual rate of 894,000, down 44 percent from a year earlier and down more than 60 percent from the 2 million annual production levels in 1977 and 1978. January was the sixth consecutive month that housing starts were below the one million annual level.
- March is the 39th month of recession in housing. The previous record was set during the Eisenhower Administration when the housing recession lasted 27 months.

NEW HOME SALES

- 1981 was the worst year for new home sales since the Census Bureau began collecting statistics in 1963. Only 426,000 new homes were sold, compared to 545,000 homes in 1980 and more than 800,000 in 1977 and 1978.
- Since March 1981, annual new home sales rates have been under the 500,000 level. In January this year, the annual sales rate of new homes was 353,000.
- Actual sales in January nationwide were 25,000 new homes -- roughly the monthly number of new homes that were sold in the West alone during 1978 and 1979. In all of the Western states, only 7,000 new homes were actually sold in January. Only 4,000 new homes were sold in the Northeastern and North Central states combined.

INTEREST RATES

- Conventional mortgage interest rates now average 17 percent. Mortgage rates at such high levels price the vast majority of potential buyers out of the market.

- Interest rates normally fall rapidly and decisively during recession, but in this downturn they have declined slowly and have remained in an historically high range. Analysts forecast that mortgage rates are not likely to drop below 15 percent this year, thereby killing off any chances for a housing recovery in 1982. The consensus is that home sales will remain at depression levels until mortgage rates drop to the 12 percent range, which by historical standards still represents an extraordinarily high cost of home financing.

- By reducing interest rates from 16 percent to 12 percent, 4.6 million additional families could qualify for a $65,000 mortgage. At 12 percent interest rates more than 22 percent of the nation's families have the $35,000 income needed to qualify for a modest $65,000 mortgage. At 16 percent, fewer than 14 percent have the $44,000 income needed to qualify for the same mortgage amount.

UNEMPLOYMENT

- Unemployment in the construction trades in February was 18.1 percent or 928,000 unemployed workers, accounting for 10 percent of the total unemployed work force. Another 200,000 skilled craftsmen could lose their jobs over the next several months.

- An estimated 200,000 self-employed people in construction-related businesses have either shut down or sharply curtailed their operations in the housing industry. Self-employed people are not counted in the Labor Department's unemployment statistics.

- Bankruptcies are up 35 percent for construction firms and 70 percent for subcontractors.

- Rising joblessness toward levels not experienced since the 1930s continues to feed the federal deficit. The Congressional Budget Office estimates that every 1 percent increase in unemployment costs the Treasury $25 billion -- $19 billion in lost revenue and $6 billion in new expenditures to pay for unemployment programs.

<u>U.S. vs THE WORLD</u>

New housing production in the United States is outdistanced by almost every industrialized nation and the Soviet Union. Among the major Western nations only Great Britain has recently been investing less in its housing stock than the U.S.

- In 1946, 8 housing units were produced per thousand of U.S. population. Last year, the U.S. rate fell to only 4.2 starts per thousand. In the U.S.S.R. last year, housing production was reported at 8 units per thousand.
- 1981 housing production in Japan was higher than in the U.S., even though it has roughly one-half the population. And they thought they were in the midst of a downturn!
- Private residential investment in 1980 was only 4 percent of our nation's Gross National Product, compared to 6.8 percent in France and West Germany, 6.5 percent in Japan, 5 percent in Italy and 4.8 percent in Canada.
- According to the Federal Reserve Board, housing's share of the credit markets has declined from 31 percent in the 1950s and about 25 percent in the 1960s and 1970s to only 16.4 percent in 1980-81. By comparison, the federal government's share has increased from 7.7 percent in the 1950s to almost one-third last year.

Mr. Chairman, it is with this bleak and pessimistic perspective that we view proposed housing legislation for FY'82 and FY'83. In the short-term, we are coming to this Subcommittee with "hat in hand" because we feel that it is the survival of this fragmented, small business-dominated and important industry and the entire delivery system that is at stake. Equally as important, I believe, to the future of our country is the ability to restore the opportunity of homeownership and decent shelter for millions of young families, the elderly, the poor and the not-so-poor -- all of whom are fighting a losing battle to meet their housing needs.

Mr. Chairman, I feel like I am reading one of your speeches. And, in fact, I am. As you said earlier this month, housing is "at the crossroads." "It is simply not possible to meet the housing needs

of the nation -- without an affirmative, effective national commitment to housing." The phrase I have used, Mr. Chairman, is that we must make housing a national priority again -- to preserve the American dream. Enough of the rhetoric, but, Mr. Chairman, I do share your strong commitment to housing -- and some of your indignation and frustration as well.

SHORT-TERM PRIORITIES

With that in mind, I believe that there are two key short-term priorities which will help to restore a reasonable level of housing production that will put people back to work, increase federal revenues and help lead the country out of the recession.

FOR-SALE HOUSING

First, to stimulate the construction of "for-sale" housing (single-family, condominiums and cooperatives), we strongly support an emergency interest reduction program to be implemented in FY'82. Such a program would provide federal assistance to buy-down the mortgage interest rate by up to 400 basis points (4 percent) for five years. The major elements of the program are as follows:

1. FHA-insured, VA-guaranteed and conventional mortgages would be eligible.
2. GNMA would provide support in operating the program.
3. Maximum mortgage limits would be at least equal to FHA 203(b) limits including high-cost area allowances.
4. The assistance would be fully recaptured by the government upon sale or refinancing (but not in excess of 50 percent of the net appreciation of the property).

5. The assistance would be secured by a second mortgage to be paid off upon sale or refinancing.

6. Refinancing could occur at any time without penalty.

7. Only newly constructed for-sale units to be used as principal residences are eligible.

8. Debt service would be increased annually for five years (beginning in the second year) by 0.75 percent of initial mortgage amount. The entire amount of the increase would be used to reduce the principal obligation.

9. Amortization based on a 30-year fixed-rate mortgage at market rate.

10. Program level of 400,000 to 500,000 units authorized.

11. Program would expire if interest ratès dropped to 10 percent. Assistance woud be phased-down from 4 percent to zero as market rate goes below 14 percent.

Mr. Chairman, the basic principles of this program are contained in legislation just introduced by Rep. Jerry Patterson (D-CA), which we are pleased to enthusiastically support.

Let me give you an example of how this program would work. The interest rate for the first five years would be reduced from 15.5 percent to 11.5 percent (FHA-insured).

On a $65,000 mortgage, this would reduce the monthly payment in the first year from $848 to $644, qualifying 7.8 million additional families. Combined with the interest assistance feature of the program, mortgages would have a <u>growing equity</u> feature. During the first five years of the loan, annual payments would increase by $488 (about $40 per month). However, those increases would be applied to the <u>principal</u> rather than to interest, allowing the mortgage to be paid off entirely by the end of the 19th year. The example assumes that at the beginning of Year Six, the loan will be amortized at the

original market rate of 15.5 percent. If the market rate falls and the owner chooses to refinance at the end of Year Six, the loan could be paid off more rapidly. (See attached chart Exhibit "A".)

For each 100,000 newly constructed units in such a program, the government assistance would be paid in five annual increments -- $260 million in the first year and a total of $1.28 billion over the length of the assistance period. The new building activity would generate $1 billion in direct federal personal, corporate and Social Security taxes during the first year, which would in large measure offset the first year cost to the Treasury.

The secondary impacts would be even more significant, but are difficult to calculate in dollars. These include reductions in unemployment compensation, food stamps and other public assistance payments. In addition, there would be a major ripple effect in terms of job expansion in other sectors of the economy which are so dependent upon home building. As important, this program would restore homeownership opportunity for many young families who have been priced out of the market.

As Chairman Richard Lugar of the Senate Housing Subcommittee said when he announced a similar program, "Housing has always led us out of a recession before, and it will do so again with this program ... If we don't do something now to preserve housing related jobs, when recovery comes, there won't be enough people building homes and there will be terrific inflationary pressures just as there were after the 1975 recession."

Mr. Chairman, the most important point to make regarding this type of program is timing -- the need for immediate action by Congress and the Administration so that this stimulus could begin to take effect during this years' building season. In order to allow builders time to plan and work, such a program would have to be in place and activated by June of this year. I know that is a tight time frame for Congressional and Administration action, but I believe it is important for you to know what needs to be done in order to achieve the intended result.

MULTIFAMILY RENTAL HOUSING

Regarding multifamily production, I believe that the most significant action that could be taken to create jobs and stimulate construction would be to push out the HUD and Farmers Home pipeline as quickly as possible. I am referring to Section 8, Section 202, Section 515, tandem and public housing construction. Mr. Chairman, I recognize that this would represent an almost 180° reversal for the Administration. But the pipeline is the only source of production that could move this year and have an impact on employment and the overall economy.

It is our understanding that there are over 150,000 units in the Section 8 pipeline alone. Some 35,000 units are reserved for state housing finance agencies and would be financed by mortgage revenue bonds. With continued high interest rates, these projects would need a sufficient financing adjustment factor in order to be financially viable. In addition, some 33,000 units of housing for the elderly and handicapped have direct loan commitments under the Section 202 program. Almost 5,000 units should be developed in rural

areas under the Section 515 rural program. Finally, most of the remaining units with FHA-insured mortgages will need GNMA tandem financing in order to proceed.

Beyond the stimulus effect of moving the pipeline, such action would keep faith with commitments made by HUD to owners and developers. Based upon these commitments, project sponsors have allocated funds toward development of final working drawings, engineering costs and other pre-development expenses. These brave souls have labored through the time-consuming and expensive process of bringing a government-assisted housing proposal to fruition.

Mr. Chairman, if these commitments are rescinded retroactively, the only beneficiaries will be the housing attorneys in Washington who will litigate the legality of such actions for years in the future. The greatest damage, of course, would be caused to the lower income families and elderly who would be denied decent housing.

We are pleased, Mr. Chairman, that your bill addresses the issues of funding and the interest level for the Section 202 programs, a realistic financing adjustment factor for Section 8, and funding for the GNMA tandem programs. NAHB supports these essential efforts as a minimum to move the existing pipeline and maintain elderly housing production. We would suggest that consideration be given to accelerating that process through FY'82 supplemental funding for the GNMA tandem programs.

OTHER HOUSING PROGRAMS

FNA/GNMA Credit Programs

Mr. Chairman, I will not belabor the issue of the importance of the FHA insurance, VA-guarantee and GNMA mortgage-backed security programs. Since the creation of FHA in 1934, more than 16 million homes have been purchased with low downpayment mortgages insured by the federal government at no cost to the public. Obviously, this is the worst time to restrict government credit for housing given the conditions of the housing and mortgage finance market. FHA and VA represent the only sources of low-downpayment, fixed-rate long-term mortgages available today and throughout the housing cycle. GNMA is essential to provide the capital necessary to finance these loans. We should certainly not turn away from the proven GNMA program in today's environment, while we continue to work for an acceptable conventional mortgage-backed security program. Therefore, we strongly endorse the maximum FHA authority of $40 billion and GNMA authority of $68.25 billion authorized in the Chairman's bill. In addition, we will join the Chairman to fight any Administration proposal to restrict FHA activity to first-time homebuyers or inner-city residents. Such proposals are not in the interest of maintaining the actuarially sound and successful FHA program that we will continue to need in the future.

RURAL HOUSING

Mr. Chairman, over 200 rural builders came to Washington last week representing many other builders who could not afford the trip. Their message was simple and direct -- the Farmers Home housing programs represent the only source of mortgage credit in over half of

the counties in rural America. FmHA is the only effective delivery system of mortgage credit for many rural areas. The Administration's proposed FY'83 budget for these programs bring them one step closer to elimination. It seems clear that FY'84 would see the end of the Section 502 and 515 programs, with no alternative method of financing being proposed. Proposals to convert the construction programs of FmHA into a housing block grant administered by the state disregards the workability of these programs and the generally effective delivery system in place through FmHA offices. As shown in the following chart, the proposed cuts by the Administration would decimate these essential programs.

	FY'82	FY'83 Proposed	% Cut
Section 502 Single-Family Low Income	$2.3 billion / 67,500 units	$900 million / 20,000 units	61%
Section 502 Moderate	$429 million / 11,700 units	- 0 -	100%
Section 515 Rental	$940 million / 29,400 units	$200 million / 5,740 units	79%
Rural Rental Assistance	$398 million / 30,740 units	$185 million / 6,830 units	54%
Total New Units	108,600	25,840	67%

Mr. Chairman, we strongly support the level of funding in H.R. 5731 for rural programs that would essentially maintain the FY'82 funding levels. In addition, we support a sufficient level of rental assistance funds to make Section 515 production feasible.

Finally, as you are well aware, Mr. Chairman, there appears to be an Abbott and Costello "Who's on first?" game being played between HUD and FmHA regarding eligibility of communities between 10,000 and 20,000 for Farmers Home credit programs. In today's environment, I cannot understand how any federal agency could make a determination that such communities are not lacking in mortgage credit and that they should be denied FmHA assistance. I must add that FmHA has made commitments to builders and developers who are working in these areas and the FmHA memorandum attached to my testimony (Exhibit "B") shows that FmHA is planning an "orderly withdrawal" from these areas by the end of this month. A one-month notice does not constitute adequate notification to developers who have relied on commitments from their county offices. Once again, unnecessary and costly litigation seems to be an inappropriate method for dealing with this situation. I appreciate the efforts that the Chairman and members of the Committee have already made on this issue and hope that it can be resolved administratively.

NEW MULTIFAMILY PRODUCTION PROGRAM

Our preoccupation with short-term programs has not given us sufficient time to evaluate the new multifamily program proposed by Rep. Schumer and contained in the Chairman's bill. We also recognize that the current depression in housing has hit more dramatically at single-family production than multifamily. We strongly support the development of a workable cost-effective multifamly rental production program. I have attached a copy of a program we have outlined for your consideration (see attached Exhibit "C"). We welcome Rep. Schumer's

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proposal because it recognizes the need for multifamily production and will be pleased to provide detailed comments from our multifamily builders.

SECTION 235

Many of our builders have successfully used the Section 235 program and fought for the recapture provisions and other recent refinements which have improved the effectiveness of the program. We support its extension and funding in the Chairman's bill. On a more immediate issue, we strongly urge the Subcommittee to support the Chairman's bill to extend the 235 program until the end of FY'82. The program is due to expire on March 31 and we fear that thousands of commitments could be lost unless the extension is approved. At a time when many builders are barely hanging on and when 235 commitments are like precious gems to lower-income homebuyers, the loss of any units under the program would indeed be tragic. For a variety of reasons including harsh winter weather, delay in processing, and buyer cancellations due to economic hardship, extension of the March 31 date is essential. I hope this legislation could be considered by the full House rapidly and without controversy.

CONCLUSION

Mr. Chairman, we in the housing industry are truly at the mercy of Congress and the Administration at this critical time. What is needed is immediate passage of legislation, such as the Patterson bill, that addresses the current crisis in housing and the economy. I am encouraged that you and others have recognized the need for an affirmative, effective national commitment to housing. You should be proud of the outstanding work of this Subcommittee's staff - both majority and minority. We look forward to working with you and with your staff -- as rapidly as possible -- to fashion a viable legislative package. I am most grateful for the opportunity to appear before you today, and would be pleased to answer any questions you may have.

Exhibit "A"

3/8/82

COMBINED GROWING EQUITY MORTGAGE WITH FEDERAL LIMITED RECAPTURABLE ASSISTANCE

Market Rate 15.5 percent
Assistance Rate 11.5 percent (first five years)

Year	Outstanding Balance on Mortgage	Yearly P+I	Monthly P+I	Reduction Annual Principal	Annual Income	P+I as % Income	Property Value Per Unit	Owner Equity Per Unit	Annual Assistance Per Unit	Cumulative Assistance Per Unit	Ratio of Equity to Assistance
1	$65,000	$7,724	$644	$ 108	$30,896	25.00%	$ 71,500	$ 6,500	$2,600	$2,600	2.50
2	64,892	8,212	684	614	32,441	25.31	75,075	10,183	2,596	5,196	1.98
3	64,278	8,700	725	1,121	34,063	25.54	78,829	14,551	2,571	7,767	1.87
4	63,157	9,188	766	1,631	35,766	25.69	82,770	19,613	2,526	10,293	1.91
5	61,526	9,676	806	2,142	37,554	25.77	86,909	25,383	2,461	12,754	1.99
6	59,384	10,164	847	2,655	39,432	25.78	91,254	31,870	-0-	12,754	2.50

Paid off at end of year 19
Total payments over life of mortgage equal $185,876. Payments for a 30-year fixed-rate mortgage at 15.5 percent over life of mortgage would be $305,257.

__Assumptions__

Income increase compounded 5 percent annually
Market value compounded 5 percent annually
Debt service increases $488 annually for 5 years
Permanent mortgage: 30 year, FHA, 15.5 percent rate
Temporary assistance rate 11.5 percent
Annual assistance equals difference between assistance and market rates times the outstanding balance

Exhibit "B"

For Administrative Use Only . AN No. 11 (1944)

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

March 5, 1982

MAR 8 1982

TO: County Supervisors, FmHA

FROM: State Director, FmHA

SUBJECT: Eligible Rural Areas - 10,000 to 20,000 Population

The following COMET message has been received from the National Office:

"We have no indication to date that we will be providing rural housing credit in communities with populations between 10,000 and 20,000 population after March 31, 1982. Therefore, we should plan an orderly withdrawal from these areas between now and March 31, 1982.

Any withdrawal from areas which become nonrural will be accomplished in accordance with FmHA Instruction 1944.10 (f) and (g). You should notify interested or affected individuals that such attention may occur as of close of business on March 31, 1982, after which:

A. These communities will no longer be eligible rural areas as of that date. You should, however, continue to accept applications until that date. Once an area is declared not eligible, RH funds may be used in that area for the following purposes only:

   1. For subsequent loans that are needed to repair an existing borrower's home;

   2. Subsequent loans for credit sales or transfers by assumption; or

   3. To process new loans for applicants whose applications were of record in the county office as of March 31, 1982.

B. Loans to purchase conditional commitment homes can be honored only if the purchaser had an application on record in the county office as of March 31, 1982.

C. Approval of subdivisions or issuance of conditional commitments between now and March 31, 1982, is with the understanding that the community may not be eligible as of March 31, 1982, and FmHA credit may not be available.

We will keep you informed of any subsequent changes as they may develop."

- 0 -

EXPIRATION DATE: June 30, 1982

FILING INSTRUCTIONS: Preceding FmHA Instruction 1944-A

Exhibit "C"

Proposal 2

PROPOSED

MULTIFAMILY PRODUCTION PROGRAM

1. Current economic conditions preclude the feasibility of developing multifamily market rate apartments in most areas of the country. Yet recent studies undertaken by NAHB indicate that the need for multifamily rental housing is increasing. In order to meet this need so that the population will have the necessary mobility to fill the jobs that will be offered in various parts of the country while the capability of producing multifamily rental projects still remains available, NAHB proposes that a production program requiring a modest investment by the government be enacted.

2. (a) The major concepts of this program are production of apartments which would be offered at market rate;

   (b) size and amenities provided should be determined by the local market;

   (c) feasibility will be provided by a shallow interest reduction program - not greater than 400 basis points;

   (d) the investment from the government would be repaid upon the sale, refinancing or 15 years after completion of the project (whichever occurs first).

3. The program would be administered by HUD and would be a brand new multifamily program providing for a 90% mortgage. In implementing the program, particular attention should be given to minimize regulations and restrictions.

4. An example of the feasibility of such a program is as follows:

Replacement Costs or value of a Unit: (800 square feet)	$ 33,000
Available Mortgage:	30,000
Market Interest Rate:	16½%
Reduced Interest Rate:	12½%
Operating Cost	1,500 Per Annum
Debt Service Per Unit at Market Rate:	413.09 Per Month
Debt Service at Reduced Interest Rate:	314.70 Per Month

ECONOMIC IMPACT

Each new multifamily unit would generate about $5,000 in Federal personal income tax, Federal corporate income tax, and Social Security contributions. Hence, the impact per year of 100,000 new units on the Federal Treasury would be $500 million. For the entire three years of the program, the benefit to the Federal Treasury would be $1.5 billion.

Minimum Rent (No Cash Flow):

At Market Rate:

Debt Service	$	414.00
Operating Cost		125.00
Rent		539.00

At Reduced Interest Rate:

Debt Service	$	315.00
Operating Cost		125.00
Rent		440.00

Assuming a 5% increase in annual operating cost and in annual rent increase:

At the end of 6 years:

Market Rent	$	589.00
Operating Cost		167.00
Available for Debt Service		422.00

The interest reduction could cease at that time.

5. Cost of the program on the basis of 100,000 units per year:

Interest Reduction Cost $30,000 x .04 = $1,200 per unit.

Total Cost for 6 Years $1,200 x 6 = $7,200.

3 Year Program	100,000 Units Per Year
Cost:	(In Millions)
Year 1	120
2	240
3	360
4	360
5	360
6	360
7	240
8	120

Total Investment in the Program is $2,160,000,000. This amount would be fully repaid at year 18.

Chairman GONZALEZ. Thank you very much, Mr. Napolitano. And I really thank you for your statements of support, and an excellent presentation.

I was going to ask unanimous consent to place in the record this feature story that the Washington Post had on you on Saturday, March 6, by Sandra Evans Teeley, unless you have an objection. I wanted to ask you that. [Laughter.]

I did not think it was derogatory. We promise not to put in the picture, though.

Mr. STANTON. I was going to bring that up. His wife took the picture.

Chairman GONZALEZ. It does not do him justice. He looks much younger here in person. [Laughter.]

Mr. NAPOLITANO. Thank you, Mr. Chairman.

Chairman GONZALEZ. That is what I say about my pictures, they do not do me justice. [Laughter.]

But if there is no objection, I really think it is a very good biographical sketch, and it would go right in tandem with your presentation. So if there is no objection I ask that this article by Ms. Teeley be placed into the record at this point.

[The article referred to follows:]

THE WASHINGTON POST, SATURDAY, MARCH 6, 1982

Fred Napolitano has taken over the presidency of the NAHB at a time when the housing industry is in the worst slump in 40 years.

NAHB Head Talks Tough To Congress

By Sandra Evans Teeley
Washington Post Staff Writer

His first home building project nearly sank—literally.

As Fred Napolitano tells it now, 30 years later, he had borrowed $10,000 from his father-in-law to build 18 houses in Flushing, N.Y. Things went fine on the first six, but there was a problem on No. 7.

" 'We can't find bottom,' " he recalls his workers telling him after they had dug and dug looking for firm foundation. They kept searching until the problem finally became clear: "There was a small lake underneath that no one knew about," Napolitano said.

"I thought, 'On my first job I'm going to go bankrupt.' "

But they put in pilings to hold up the foundation and went on to build all 18 houses. It took two years to build and sell them, but he finally broke even "and even made a couple of bucks." More importantly, he didn't go bankrupt.

Napolitano is once again looking for the bottom—the bottom of a depression that threatens to sink an entire industry.

The Virginia Beach homebuilder has taken over the presidency of the 122,000-member National Association of Home Builders at a time when the industry is in worse shape than it has been since the Great Depression.

"Many builders are telling me that as soon as they get rid of their inventory they will get out of the business," Napolitano said at a recent dinner with a group of journalists, slowly lacing and unlacing his hands as he spoke.

Dark-haired and round-faced, he carries with him an easy manner and a quick smile, and he looks you in the eye when he talks. Despite 26 years in Virginia Beach, the husky voice still retains traces of a Brooklyn accent.

In other downturns, Napolitano says, builders have gone under, but these generally were the inefficient or incompetent—the ones that didn't belong in the business to begin with. It was a healthy weeding-out process. But it's different this time, he says, it's hitting the veterans now, some of the best in the business.

Napolitano knows this from personal experience. A partner of his in some joint ventures, a 55-year-old man with 25 years of homebuilding experience, recently went bankrupt. Now, Napolitano deals with a trustee on those projects.

One main reason Napolitano has survived during this downturn is that he diversified years ago into shopping centers and commercial ventures, though he still considers himself primarily a homebuilder.

A half hour into the dinner conversation, it's as though you've broken pasta with the entire family.

You know where his mother lives (New York), what his daughter does for a living and where she lives (a teacher who bought a mingles apartment in Virginia Beach close to the ocean), that two of his sons are in the business with him (a third is in college) and that his wife Jacqueline is an only child (so is he).

Napolitano remembers the date of his first project because it was the same year his daughter Theresa was born and a year after he was married. His first business was the Terry Corp., named after his baby daughter, and he still uses that company for land development projects. He later established Napolitano Enterprises for homebuilding and Pembroke Enterprises for insurance and commercial ventures.

His sons are in the business now, though he insists, "I didn't encourage them to do it." The eldest son is a partner, while the middle one came into the business last April. The youngest will be graduated in December and plans to join the firm.

Napolitano's father was a bricklayer, and bricklaying is how the new NAHB president started his homebuilding career, as well.

The career was one he stumbled into, however, primarily because of poor eyesight.

At the age of 17½, his goal was to go to West Point, and he succeeded in getting an appointment to the

THE WASHINGTON POST, SATURDAY, MARCH 6, 1982

military academy. In those days, a cadet had to have 20/20 vision without glasses, however, and he failed that test.

The lower middle-income Napolitano family couldn't afford to send him to college—and his mother wouldn't sign the papers for him to join the Army.

So, his father helped him get a bricklayer's license. His first boss took him on with one condition—that he go to school at night. As long as he was working in the trade, he figured he might as well study it, so that's what he did for six years.

In the meantime, he had gotten a job he liked, as assistant supervisor at an apartment building in Queens, and it was there he finally decided to stay in the business.

Three years after his first ill-starred building project in Flushing, he was approached with an offer to buy a parcel of lots near Virginia Beach. After a brief visit, he bought the lots and began a 10-month stretch of living out of a motel during the week and commuting to New York to see his family on weekends. In 1956 he and his wife decided to make a permanent move to Virginia Beach, where they have been ever since.

Some who have watched his first months in office at NAHB say that Napolitano had not previously been as involved in party politics as was his predecessor, Herman Smith of Fort Worth, and that the new association president is more businessman than politician.

Still, he appears more ready to guide the association's membership toward policy decisions than Smith, who maintained more of a parliamentarian approach to the office, these observers say.

Last month Napolitano jumped into the political fray by announcing a "hard-ball" approach to campaign contributions by the association's political action commmittee, BUILD-PAC. Only those senators and congressmen that are actively supporting the group's housing ideas will get part of some $1 million expected to be raised by BUILD-PAC, he said.

"He [Napolitano] is stronger than any of us expected him to be," said one participant in some of the early board meetings. This observer also credits Napolitano with leading the association to its about-face policy at its January convention, where the group called for deep subsidies from the federal government. A year earlier, the NAHB endorsed President Reagan's overall economic program with no call for special assistance for the housing industry.

Napolitano denies that he was the primary force behind the association's change of heart on federal policy, saying instead it was merely a matter of a year's worth of tough personal experiences by members.

"Reagan was elected for a change in direction in the country," but now members have gone too long without relief, Napolitano said in an interview. "They want to give the president a chance, but they can't wait any longer."

Napolitano senses new sympathy for the housing industry's plight, both on Capitol Hill and in the administration.

He particularly sees a favorable transition on the part of Housing Secretary Samuel Pierce since the homebuilders' January convention in Las Vegas to which Pierce brought little hope of federal assistance for the beleaguered industry.

Pierce "has turned into a housing advocate," Napolitano, adding that he now believes the secretary will push for a shallow subsidy for the industry.

The NAHB president also is heartened by Reagan's creation of a Cabinet-level housing task force, chaired by Pierce, with a mandate to come up with something to help the industry by the end of this month.

On the Hill, members of both parties are starting to see housing as a political issue in this year's mid-term congressional elections, Napolitano said, adding that he is getting more confident that the industry will get some substantial assistance from Congress.

Napolitano figures he will be away from his private business about 90 percent of the time this year, leaving it to his son to run. He will devote his time to traveling around the country and talking to Washington officials in promoting his primary goal, "to get housing moving again, to make it a national priority to preserve the American dream."

When does he expect a recovery? Napolitano shakes his head:

"If I knew that, I'd call my son and tell him to start 25 more houses."

Chairman GONZALEZ. Unless there's some suggestion by Mr. Stanton or another member of the subcommittee, it was my intention to proceed to hear the rest of the panelists, and then go into the 5-minute period. So if there is no objection, we will proceed with Mr. Gourley.

STATEMENT OF WILLARD GOURLEY, PRESIDENT, FIRST ATLANTIC CORP., CHARLOTTE, N.C., ON BEHALF OF THE MORTGAGE BANKERS ASSOCIATION OF AMERICA

Mr. GOURLEY. Thank you, Mr. Chairman.

I don't mind being upstaged by Mr. Napolitano like that, because I have no news article or anything similar that you might put in the record. But I am a mortgage banker. I am president of the First Atlantic Corp. of Charlotte, N.C., a mortgage banking company, and I am chairman of the legislative committee of the Mortgage Bankers Association, on whose behalf I appear today.

My remarks on H.R. 5731 and related legislative proposals will summarize the written statement which has been submitted to you, and I ask that the written statement be included in the hearing record.

Chairman GONZALEZ. Without objection, that will be so done.

Mr. GOURLEY. Mr. Chairman, upon introducing H.R. 5731, you characterized the bill as a positive program. We at MBA agree with you and I would like to highlight certain provisions of the bill that we feel are particularly crucial to assist housing and achieve the goal of affordable mortgage financing.

MBA strongly supports the commitment levels proposed in the bill for FHA mortgage insurance and GNMA mortgage-backed securities guarantee programs of $40 billion and $68.25 billion, respectively. The administration is proposing commitment ceilings for these user fee-supported, actuarially sound programs that are considerably below those contained in H.R. 5731.

Bluntly speaking, the administration's figures make no allowance for a housing recovery in fiscal year 1983 and, in fact, are somewhat contradictory. As you are aware, VA guaranteed loans, as well as FHA loans, are eligible for placement in GNMA mortgage-backed securities pools. Approximately 70 percent of all VA loans and 80 percent of all FHA loans are placed in GNMA pools.

Applying those percentages to the administration's estimates of $35 billion of FHA and $22 billion of VA activity for fiscal year 1983 and adding the figures together yields a result of $43.4 billion. Yet the administration wants to set the GNMA figure at $38.4 billion, some $4 billion below where it should be according to their own estimates.

Even if the administration had not contradicted itself and had proposed a $43.7 billion GNMA ceiling, the ceiling would have been insufficient based on historical data. If there is only a modest housing recovery, the $68.25 billion ceiling for GNMA will not provide that great a margin for error.

In fiscal year 1980, a lackluster housing year, but certainly better than 1981, there were in excess of $63 billion in GNMA commitments issued. If fiscal year 1983 is only a marginally better

year for housing than fiscal year 1980, activity could come very close to the $68.25 billion ceiling proposed in H.R. 5731.

Practically speaking, there is no reason to set the FHA and GNMA levels as low as the administration is proposing. The mortgages and mortgage-backed securities in the FHA and GNMA programs, with certain exceptions that are subject to annual appropriations, carry market rates of interest. Thus, these programs are interest rate sensitive. If market interest rates are high, as they are now, there is less activity. If rates drop, as we sincerely hope they do in the very near future, there will be more activity as a greater number of moderate- and middle-income home buyers, FHA's prime clientele, are able to afford home mortgages.

We applaud the subcommittee's determination to keep the FHA and GNMA mortgage-backed securities programs as demand-oriented programs that will effectively serve the mortgage needs of America's home buyers and urge enactment of the ceilings provided for in H.R. 5731. We would also urge consideration of statutory provisions that would: Guard against impoundment of part or all the commitment ceiling; provide a system to alert the relevant congressional committees when the ceilings are being approached; and allow an adjustment of the ceilings if demand proves stronger than anticipated.

Turning to other provisions of the bill, section 501 and section 502 extend the various FHA housings and the HUD Secretary's authority flexibly to set the FHA rate. With respect to the latter, we urge Congress to free all FHA mortgages from any restrictions on either the rate itself or discount points.

As you know, Congress authorized a free rate demonstration program 2 years ago that has never been implemented by HUD. As we point out in our written statement, however, MBA strongly believes that the demonstration program will produce no meaningful results even if implemented. Freeing the FHA rate is long overdue and a logical next step in light of the preemption of State usury ceilings that Congress undertook in the 1980 Financial Institutions Deregulation Act.

MBA commends the chairman and cosponsors of H.R. 5731 for the new multifamily rental production program that is contained in the bill. As we understand it, cities, localities, and States will work together with private developers to fashion multifamily rental projects that will be partially subsidized by a grant from HUD.

The program would appear to be less costly than the section 8 new construction program, yet would aid low-income families in obtaining decent program through the requirement that at least 20 percent of all units in any assisted project be occupied by families with less than 80 percent of the area's median income.

Two sections of the bill that we urge not be adopted are sections 512 and 513, which would set new limitations on the mortgage purchase authority of FNMA and FMLMC. MBA believes that Congress should be moving in the other direction and examining the current mortgage purchase limitations on FNMA and FHLMC to see which of those should be removed. We believe that the new limitations that would be imposed by sections 512 and 513 are business decisions that should be left to FNMA and FHLMC.

The next three issues I would like to discuss are related to H.R. 5731 and are necessary for the secondary mortgage market to meet the demands for mortgage credit that will be placed upon it in the decade of the eighties and beyond. The first issue is preemption of State restrictions on the exercise of due-on-sale clauses in home mortgages, and the origination of adjustable rate mortgages, ARM's, by lenders who are not federally chartered depository institutions.

The secondary market that is needed to meet tomorrow's demand for mortgage credit will have to be a large, liquid market that contains uniform, homogenous products. State laws, such as due-on-sale and ARM restrictions, prevent that sort of market and hence make mortgage credit more expensive and less affordable for America's home buyers. We urge you to consider adding these preemptions to H.R. 5731.

A second means of strengthening the secondary market will be prompt enactment of H.R. 4787, a bill to recapitalize the FHLMC. FHLMC, along with FNMA, will be the key to the secondary mortgage market achieving the breadth and liquidity necessary to attract additional investment capital in mortgages.

FHLMC will not be able to do this under its current structure because it is too thinly capitalized to expand its activities sufficiently. Additional capital can be raised by transforming FHLMC into a privately owned, Government-chartered corporation, and that is precisely what H.R. 4787 proposes to do. MBA urges its speedy enactment.

A third issue is the elimination of the differential in FHLMC's fee structure that is imposed upon lenders who are not members of the Federal Home Loan Bank System. Last year, in removing the limitation on the number of loans 1 year old or older that FHLMC could purchase, Congress prohibited such a fee differential for the purpose of those loans only. We ask that Congress eliminate the differential entirely.

FHLMC could do so administratively, but has chosen not to. As we explain in our statement, we believe there is no justifiable reason for continuing a differential, particularly one that increases the cost of mortgage credit and discourages a significant percentage of lenders from utilizing FHLMC's purchase programs.

Finally, we would like to comment briefly on the Home Mortgage Capital Stability Act, H.R. 5568. MBA endorses the concept of immediate temporary assistance to depository institutions and we urge Congress to examine H.R. 5568, as well as other proposals that have been or will be made, to determine which will be the most effective means of providing that assistance.

One provision in H.R. 5568 that we urge not be adopted is the requirement for institutions that receive assistance to invest a portion of their new assets in loans with below-market interest rates for first-time home buyers. We oppose the concept of targeting mortgages to one particular segment of the market, because that constitutes credit control by the Federal Government, which we oppose in principle.

As for below-market rates, this provision would provide financially troubled lenders with a competitive advantage over financially viable lenders. Essentially two classes of lenders would be created,

lenders who are not receiving assistance, who have little or no business if high interest rates persist, and federally assisted lenders who would have a booming business, though marginally profitable, because of their below-market rate loans.

While we have pointed out some concerns MBA has with H.R. 5568, we would like to reiterate that some immediate, temporary assistance is necessary for troubled thrift institutions and we commend Chairman St Germain for proposing a comprehensive solution to the current problems of the thrift industry.

Thank you. I would be happy to answer any questions you might have.

[Mr. Gourley's prepared statement, on behalf of the Mortgage Bankers Association of America, follows:]

1125 Fifteenth Street, N.W.
Washington, D.C. 20005

202-861-6500

Mortgage Bankers Association of America

STATEMENT OF

WILLARD GOURLEY

PRESIDENT
FIRST ATLANTIC CORPORATION
CHARLOTTE, NORTH CAROLINA

on behalf
of the

MORTGAGE BANKERS ASSOCIATION OF AMERICA

before the

SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

of the

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

Hearings on

HR 5731, the "Housing and Community Development Amendments of 1982" and related legislative proposals

March 16, 1982

Mr. Chairman and Members of the Subcommittee, my name is Willard Gourley. I am President of First Atlantic Mortgage Corporation, Charlotte, North Carolina, a mortgage banking company, and Chairman of the Legislative Committee of the Mortgage Bankers Association.* Accompanying me are Burton C. Wood, MBA's Legislative Counsel, and Glen Corso, MBA's Deputy Legislative Counsel.

We appreciate the opportunity to appear before you today to testify on HR 5731, "The Housing and Community Development Amendments of 1982." We should also like to share with the Subcommittee our views and concerns about several other important housing issues. These include the commitment ceilings on the non-subsidized, user-fee supported Federal Housing Administration (FHA) insurance and Government National Mortgage Association (GNMA) guaranty programs; the need for a preemption of state laws that

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*The Mortgage Bankers Association of America is a nationwide organization devoted exclusively to the field of mortgage and real estate finance. MBA's membership comprises mortgage originators, mortgage investors, and a variety of industry related firms. Mortgage banking firms, which make up the largest portion of the total membership, engage directly in originating, financing, selling, and servicing real estate investment portfolios. Members include:

- Mortgage Banking Companies
- Mortgage Insurance Companies
- Life Insurance Companies
- Commercial Banks
- Mutual Savings Banks
- Savings and Loan Associations
- Pension Funds
- Mortgage Brokers
- Title Companies
- State Housing Agencies
- Investment Bankers
- Real Estate Investment Trusts

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restrict the exercise of due-on-sale clauses and the origination of adjustable rate mortgages (ARMS); HR 4787, a bill that would establish a new Federal Home Loan Mortgage Corporation (FHLMC) charter; an amendment to the current FHLMC act that would prohibit fee differentials being charged on any given program; HR 5568, "The Home Loan Mortgage Capital Stability Act"; and two Administration proposed actions that will drastically reduce the production of assisted multifamily rental housing.

ECONOMIC OUTLOOK

This Nation is facing an economic crisis today. The crisis is one of conflict between fiscal and monetary policies, and the result is exploding government deficits crowding out private spending and causing record high interest rates. High interest rates have been slowly destroying our interest-rate-sensitive industries, especially in the housing field. Recognizing the need for action, MBA and five other major trade associations recently issued the following joint letter to the President and the Congress, urging that swift, bipartisan action be taken to reduce projected Federal government deficits:

An Open Letter to President Reagan and Members of Congress

March 3, 1982

Prolonged high interest rates are creating an economic and financial crisis in this country. In order to bring interest rates down, immediate action must be taken to reduce massive federal budget deficits. More than anything else, it is the spectre of an overwhelming volume of deficit financing which haunts housing and financial markets and poses the threat of economic and financial conditions not seen since the 1930s.

Given these circumstances, there is no alternative to: (1) slowing down all spending, not excluding defense and entitlement programs; and, if necessary, (2) deferring previously enacted tax reductions or increasing taxes. In order to have the necessary impact on financial markets, these actions should be taken prior to any increase in the ceiling on the federal debt.

Even with these actions, the restoration of financial stability and safety will be a prolonged process. It is necessary, therefore, to adopt immediate but temporary measures to address the critical problems of the industries which finance, market and produce housing for American families. These industries have unfairly borne the brunt of destructively high interest rates. Unless immediate and effective short-run measures are adopted, the continued devastation of these industries will, directly and indirectly, aggravate the federal budget deficit and greatly increase the prospect of a general economic and financial crisis.

In times of past crises in this nation, our political leaders have come together in a bipartisan manner to develop effective solutions in the common interest. Our nation is at such a time now. There will be no political winners if the Administration and the Congress fail to accommodate differences and cooperate in dealing with current serious economic problems. The threat to our nation demands prompt, effective and bipartisan action.

Llewellyn Jenkins, President
American Bankers Association

Robert R. Masterton, Chairman
National Association of Mutual Savings Banks

James E. Aylward, President
Mortgage Bankers Association

Julio S. Laguarta, President
National Association of Realtors

Fred Napolitano, President
National Association of Home Builders

Roy G. Green, Chairman
U.S. League of Savings Associations

it Statement of: American Bankers Association, Mortgage Bankers Association of erica, National Association of Home Builders, National Association of Mutual Savings ks, National Association of Realtors, U.S. League of Savings Associations

93-366 O—82——7

The current recession is, in part, responsible for this year's Federal government budget deficit. In normal times, the end of recession would reduce the deficit as tax revenues increase with rising profits and incomes, and as government transfer payments for unemployment and other assistance fall. The primary problem of the current deficit, though, is that it will grow and not shrink as the economy begins to recover. That is, the scheduled tax cuts and defense and entitlement spending increases will more than offset any increased tax revenues from increased profits and incomes and other spending reductions. This expansionary fiscal policy would generate new inflationary pressures, if it were not for the restrictive monetary policy adopted by the Federal Reserve. While the restrictive monetary policy is successfully bringing inflation under control, it also causes record high interest rates. It is these high interest rates that have caused the current recession, imposing high costs on the economy in terms of slow or no growth, high unemployment, and low utilization of our productive capacity.

The current conflict between a tight monetary policy and an expansionary fiscal policy has resulted in: 1) historically high rates of interest; 2) continued recession and risk of stalled recovery; 3) high unemployment; and 4) destruction of key industries heavily dependent on credit—especially housing, automobiles, and agriculture.

The inflation problem of the 1970's required restrictive monetary policy. This policy, followed since October 1979, has been costly, but is producing positive results. Now that inflation is coming under control, the Federal Reserve could consider easing its policy. However, excessively expansionary fiscal policy is forcing the Federal Reserve to keep monetary policy tight to avoid a resurgence of inflation.

So long as tight monetary policy keeps interest rates at or near record high levels, it will continue the gradual destruction of interest-rate-sensitive industries, such as

housing, agriculture, automobiles, and other consumer durables. Soon the effects will hit public utilities, manufacturing, and other sectors heavily dependent on borrowed capital.

Federal Reserve Board Chairman Paul Volcker has testified that only a more restrictive fiscal policy can permit a relaxation of monetary policy and lower interest rates. In order to achieve a sustainable economic recovery this year, Congress and the Administration must reduce fiscal pressures by reducing the deficit, beginning in fiscal year 1983. This reconciliation of fiscal and monetary policy is the only responsible way to bring about a relaxed monetary policy, which is the only way to reduce interest rates.

There are, of course, two ways to reduce deficits—reduced spending and increased tax revenue.

We believe it is imperative that the Congress carefully evaluate all government spending plans for FY 1983 through 1985, including both defense spending and increases in entitlement programs, including social security. Although the international situation argues for increased spending on defense, it is questionable whether our industrial base and our defense bureaucracy can efficiently spend an additional $33 billion in fiscal year 1983. If such an increase in a short period of time exceeds our physical and managerial capacity to augment defense, then the excess dollars will be wasted or will push up prices.

An excessive increase in defense spending, in the absence of an extended recession or a national emergency, would have additional damaging effects on the economy. It would compete with the private sector for machine tools, materials, and industrial capacity at just the time when the private sector heavy goods industries will be recovering, putting upward pressure on prices in those sectors that will be passed along to consumers later on. In addition, the massive financing requirements for both defense and industrial production

will put upward pressure on interest rates, at a time when government credit demands still will be high.

Defense spending also tends to be inflationary. The production of defense goods and services increases national income without increasing the stock of goods and services available for consumers to buy. The result is that consumer prices tend to be bid upward, inflating the economy. Since investors require a premium for inflation, interest rates are pushed upward as well. Unfortunately, the President's defense program, because of its massive size, will conflict with the recovery. The Congress should carefully review defense spending plans, to provide the defense capabilities we need considering a productive capacity.

Deferral of a portion of the planned defense buildup offers two benefits. First, any spending deferrals for the FY 1983 budget will reduce the deficit by a like amount, reducing pressure on Federal financing. Second, deferrals will allow the needed defense projects to be more carefully planned and reviewed. As a result, less useful projects may be identified and delayed or cancelled while more promising projects that are delayed may be better administered and benefit from emerging technology.

On the entitlement side, Social Security spending is projected to grow by about $15 to $20 billion in each of the next few years. The Congress should carefully review the Social Security budget, to consider not only the financial soundness of the program but also the level of benefits and the automatic indexing of benefits.

If spending cuts sufficient to control the deficit cannot be achieved, then tax revenue increases should be considered. However, Congress should take note of the importance of our reduced marginal income tax rates in encouraging saving and investment in the

domestic economy. Any tax increases should be temporary and should be designed to minimize their potential negative impact on savings and investment.

HOUSING AND MORTGAGE MARKET OUTLOOK

The slow monetary growth philosophy of the Federal Reserve Board is a major cause of the depressed state of the housing industry. High financing costs for home builders and potential buyers kept 1981 housing starts below 1980 levels, slightly below 1.1 million total starts, the lowest volume in at least 20 years. Of this number, approximately 290,000 were multifamily starts, mostly condominiums. New residential construction in 1982 will be only slightly better, with starts for the year at a level no higher than 1.3 million units. Between 350,000 and 400,000 of the 1982 starts will be in multifamily structures, again predominantly condominiums. In the resale market, the problems are even more apparent. In 1981, existing home sales were only 2.35 million units, down 20 percent from 1980's depressed sales and almost 40 percent below the levels of 1978 and 1979. Most observers expect existing home sales to rebound to 2.5–2.8 million units this year.

Clearly, the low level of housing construction of the past two years has been a disaster for the industry. But it also represents a disaster for the consumer. Most estimates of population and household formation rates envision the decade of the Eighties as one of continued increasing housing demand. While the general population will increase by 21 million people in this decade, the population of the prime first-time buying group, those between 25 and 34 years, will grow by nine million persons. This growth will be three times faster than the overall population growth rate. Many analysts foresee a demand in excess of 2 million additional housing units per year during the next decade. Even with a

limited housing recovery this year, 1982's projected 1.3 million starts will fall far short of demand. The following table shows the level of new housing starts over the past six years:

TABLE 1

Year	Private Housing Starts (Seasonally Adjusted Annual Rate)
1976	1,537,000
1977	1,987,000
1978	2,020,000
1979	1,745,000
1980	1,292,000
1981	1,086,000

Source: Dept. of Commerce, Bureau of the Census

Some of the shortfall in supply will be made up by the conversion of commercial properties to residential use. The shortgage of housing, however, in the face of strong potential demand will cause a significant increase in "doubling up", an eventual resumption of the upward spiral of home prices, and continued conversion of rental units to satisfy ownership demands. Further, countless American families will be forced to occupy rental housing far longer than they prefer, or perhaps forever, not being able to afford a home of their own.

An important issue of housing policy during the next twelve months, and, quite conceivably for the entire decade of the Eighties, will be the affordability of housing. The current high interest rates have focused increasing concern on a problem that has been worsening for several years. The number of people who can afford to buy homes has

been declining, and mortgage rates far above historical averages have exacerbated the problem. For 1981, the median price of a new one-family home sold was $68,900. Assuming a normal downpayment of about 10 percent, the outstanding principal balance of a standard mortgage would exceed $62,000. With a level payment 30-year mortgage bearing a contract rate of 14 percent (the prevailing conventional commitment rate only one year ago), some 23 percent of American families could have afforded to buy that home.

At 16 percent, only slightly more than 17 percent of those families could afford it. And at 18 percent mortgage rates, a level we have reached and even exceeded in some areas, the number of families that can afford this median price home falls to about 12 percent. Unable to qualify willing buyers for loans, the housing industry is moribund.

One critical cause of the affordability crisis in housing is the historically high cost of mortgage credit. Several factors are to blame—some macroeconomic or more general in nature and others related more directly to the severe plight of the mortgage lending industry. The general cause—inflation expectations, excessive Federal deficits, and restrictive monetary policy—have already been detailed.

The problems specific to the mortgage lending industry have been all too well documented in the trade and financial press. Scores of savings and loan associations and mutual savings banks have been or are threatened with forced merger and acquisitions, or outright failure. Well-managed institutions, as well as poorly run firms, have been victimized by piecemeal deregulation during a period of extraordinarily adverse financial conditions. The mortgage banking industry, which in recent years has accounted for approximately one-quarter of residential loan originations, has seen large and small firms—most of them successfully operated for decades—pushed into retrenchment,

forced sales, and failures. It can come as no surprise, therefore, that the availability of mortgage credit has been severely curtailed, and its cost forced to exorbitant levels.

The crisis among mortgage lending institutions is real, and threatens to get even worse before it can pass. As highlighted in the joint letter to the President and the Congress, unless immediate and effective short-run measures are adopted, the economic and human costs of the continued devastation of these industries will be great. It is most difficult to comprehend, much less put a price tag on, the general economic and financial crisis that will result from the massive problems threatening these industries.

Under present economic conditions and prospects, the most optimistic forecast of mortgage rates during 1982 would be a low of 14-15 percent by early summer, with rates gradually rising during the second half of the year. This forecast results primarily from the overall easing of interest rates in response to the recession-induced weakness of business and consumer credit demands. Tight monetary policy and bloated credit demands rising from the huge Federal deficit mitigate against further declines in interest rates while simultaneously exacerbating the crisis conditions plaguing mortgage lenders. Without immediate relief targeted toward the housing and mortgage markets, no better prospects can be projected in good faith.

The key roles played by the real estate, housing, and mortgage finance industries in the overall well-being of the U.S. economy cannot be overlooked. Without a recovery in these critical domestic industries, the outlook for a resumption of real growth in the economy generally is not favorable, and may be impossible, if the housing and mortgage lending industry crises materialize with the full vigor that appears likely.

HR 5731, "THE HOUSING AND COMMUNITY DEVELOPMENT AMENDMENTS OF 1982"

Funding authorization for housing and related programs administered by the Department of Housing and Urban Development (HUD), would be provided by HR 5731, as well as program extensions. Following are MBA's recommendations with respect to various sections of the proposed legislation.

LOW INCOME HOUSING

Section 201 provides for funding authorization for FY 1983 for the public housing and Section 8 Housing Assistance programs. The bill authorizes approximately $808 million for these programs. The distribution of funds between new and substantially rehabilitated units and exisiting units in HR 5731 is approximately 58.7 percent to 41.3 percent. MBA supports these programs and urges that the funding authorizations, at the levels proposed in HR 5731, be enacted. We should like to note, however, that this funding level is approximately $100 million below that authorized for FY 1982 and represents a substantial cut in housing needed by low-income persons. However, we recognize that this cut, however painful, is being made as part of our Nation's effort to control the Federal deficit.

Section 202 directs the Secretary of HUD, when determining fair market rents to take into account additional costs, due to increased interest rates, incurred by projects for which contract authority was reserved during FY 1982. The bill limits the interest rate factor to be used to 14 percent. MBA strongly supports this provision as absolutely necessary for the construction of those assisted housing projects to be financed with tax exempt bonds for which contract authority has been reserved in FY 1982. The current

interest rate limit of 12 percent in the HUD regulations implementing the current financing adjustment factor (FAF), together with the regulatory requirement that construction commence by June 1st, make it is doubtful that many projects will be able to go forward without enactment of Section 202 of HR 5731.

Section 205 would authorize an additional $1.2 billion for the Government National Mortgage Association (GNMA) tandem program. MBA supports this authorization as being necessary to provide financing to assisted housing projects that will otherwise not be built. These projects will provide badly needed housing for low-income persons through a proven and workable financing method. Later in this testimony we will discuss two actions taken by the Administration that may sharply curtail the production of multifamily rental housing in FY 1982.

SECTION 235 AMENDMENTS

Section 301 would remove the current March 31, 1982 cut off date for the issuance of firm commitments under the Section 235(i) program, and would authorize an additional $36.7 million for the program for FY 1983. In addition, the percentage of new homes in a single subdivision that could be assisted under the 235(i) program would be increased from 40 percent to 50 percent. As a housing stimulus measure, $350 million would be authorized for the Section 235(q) program, which serves middle-income homebuyers.

MBA supports the Section 235(i) program as a useful and efficient means of providing homeownership assistance to low income families. We support its continuation at the funding authorization levels proposed in HR 5731. We also recognize that the housing industry, at its lowest ebb in the post-World War II period, is in dire need of a stimulus in

order to begin the long march back to recovery. The Section 235(q) program, with the proposed authorization funding level of $350 million should provide a stimulus.

If Congress does decide to authorize funding for the Section 235(q) program, we suggest that the effective interest rate to be paid by borrowers, for the ten year subsidy period, be increased from the 9.5 percent currently in the law. While a 9.5 percent rate may have been necessary in mid-1980 to stimulate home construction and sales, this is no longer the case. Under current market conditions, a 12 or 13 percent rate would be more than adequate to stimulate production and qualify eligible, above moderate-income borrowers for loans. Such an interest rate increase would allow the same amount of funds to be used to stimulate the construction of a larger number of new homes.

We would also note that several other housing stimulus programs have been announced that will warrant careful consideration. It is important that whatever stimulus program Congress may adopt be done speedily and in the most cost-efficient manner possible.

MULTIFAMILY HOUSING PRODUCTION PROGRAM

Section 311 would create a new multifamily production program, employing flexible means to provide assistance to make the production of new multifamily housing financially feasible. The assistance could be in the form of a capital grant, a loan, interest reduction payments, grants to finance the purchase of land, or other comparable assistance. The projects must be located in areas experiencing shortages of rental housing and HUD would select those projects to be assisted. At least 20 percent of the units in each assisted project would have to be occupied by families with incomes no greater than 80 percent of the median income of the area.

MBA believes that this program would encourage the badly needed production of multifamily rental housing in areas experiencing a shortage of such housing, at less cost to the Federal government than the Section 8 new construction program. We applaud the initiative of the Chairman of the Subcommittee and the cosponsors of HR 5731 in fashioning a new program to deal with the serious problem of inadequate production of multifamily rental housing and urge its enactment.

EXTENSION OF FHA MORTGAGE INSURANCE AUTHORITY

Section 501 provides for the extension of the insuring authority for the various FHA programs. A one year extension is provided for, through September 30, 1983. MBA urges this Subcommittee and the Congress to consider a two year extension of these programs so as to diminish the possibility of FHA's insuring authority from lapsing as has occurred in the recent past, because of the unfortunate market disruptions that occur.

MORTGAGE INSURANCE PREMIUM

An issue that is related to the extension of the FHA insurance authority is a change the Administration has indicated it will propose, in the collection of the FHA mortgage insurance premium for new loans. The Administration's FY 1983 budget indicated that a proposal would be made to Congress to have the mortgage insurance premium for FHA-insured loans paid in a lump sum at the time the loan is closed. The lump sum would represent the present value of the stream of monthly premium payments that FHA-insured borrowers presently make over the life of their mortgages.

MBA believes the general concept of a lump sum payment of the FHA insurance premium, at the time the loan is closed, merits careful consideration. MBA urges Congress to keep two factors at the forefront when reviewing the Administration's proposal.

First, the Administration proposal should allow borrowers the option of treating the lump sum premium as part of the closing costs eligible for inclusion in the mortgage balance. This will preserve the low downpayment feature of FHA-insured loans that is so vital in providing affordable financing for moderate- and middle-income borrowers. Congressional action would be required also to increase slightly the maximum mortgage amounts under the FHA single-family programs. Depending upon the details of the Administration proposal, the necessary increase would be approximately $1,500, which would raise the present $67,500 basic ceiling to $69,000. Second, if the Administration proposal affords borrowers the option of including the lump sum premium in the mortgage balance, it should not result in monthly payments that are significantly higher than they would be under the present system. Again, MBA's concern is affordability. We would oppose any proposal that would increase monthly payments beyond a minimal amount.

The factors outlined above could cause the loan-to-value ratio to rise above 100 percent, in those instances where borrowers made the minimum downpayment. However, this should not cause any increase in the default rate of FHA-insured loans, nor threaten the financial soundness of the mutual mortgage insurance fund (MMIF). The principal reason for this is that under the factors outlined above, the borrower's monthly payment would not be increased. It is the monthly payment, in proportion to the borrower's income, that is the key determinant as to the borrower's ability to afford the mortgage. With MBA's suggested factors, this proportion would not be altered.

It appears the interests of both the borrower and the solvency of the MMIF would be preserved under this proposal if it includes the two suggested factors, and that HUD might realize significant administrative savings over both the present system, where lenders remit the insurance premium on a yearly basis, and the soon to be implemented system of monthly remittance. The change, of course, would be gradual since existing loans will stay under the present system of periodic remittances. But as these loans mature and are replaced by new loans with lump sum payments, HUD's record keeping, and the expense associated with it, might diminish.

EXTENSION OF FLEXIBLE INTEREST RATE AUTHORITY

Section 502 extends the authority for the HUD Secretary to set the FHA interest rate above the 6 percent statutory maximum through September 30, 1983. Rather than extending this provision, MBA urges Congress to amend the law to allow the FHA interest rate to move freely as market conditions dictate.

FREE FHA/VA INTEREST RATE

Under current law, the maximum interest rate allowable on a mortgage insured by the FHA is fixed by the Secretary of HUD. Customarily, the Veterans Administration (VA) follows HUD's lead and sets the same maximum rate for VA-guaranteed mortgages. In the early 1950's, Congress enacted legislation to fix interest rates and to ban discount points. The result was a collapse of the FHA/VA portion of the mortgage market, and the law was repealed.

The setting of a maximum interest rate by the HUD Secretary harkens back to an earlier era in America's financial history when residential mortgage markets were highly localized and sometimes dominated by a few suppliers of mortgage credit. Possibility for abuse existed, and the Federal government, in the FHA and VA mortgage insurance and guaranty programs, acted in a fashion similar to state governments and set maximum interest rate ceilings. This Federal and state system of interest/usury ceilings was not a problem as long as interest rate changes occurred infrequently, and in small increments. However, the volatility of interest rates in the latter part of the 1970's turned this restrictive system of interest rate limitations, into a hangman's noose around the neck of the housing and mortgage finance industries.

Congress recognized this, at least as far as state mortgage usury ceilings were concerned, and preempted those laws as part of the Depository Institutions Deregulation and Monetary Control Act of 1980 (P.L. 96-221). MBA believes the time has arrived for Congress to complete the task of reforming the law by repealing all restrictions on interest rates for FHA and VA mortgages.

The Federal preemption of state usury ceilings has been in force for two years. Only a handful of states have overridden the preemption. To date, there have been no widely reported and documented instances of abuse or charges of substantially above market interest rates by mortgage lenders. As we maintained to the Congress in testimony on this issue in 1979 and prior years, the market forces of supply and demand, together with the national linkage of all local mortgage markets, ensures that no single lender or group of lenders in any locality or region could demand and receive mortgage interest rates substantially above the market rate. The same is true for FHA and VA loans.

The Housing and Community Development Act of 1980 (P.L. 96-399) authorized the HUD Secretary to set up a negotiated interest rate demonstration program for FHA-insured mortgages and report the results to Congress by March 1, 1982. The program has never been implemented, and even if it should be, no meaningful results will be produced, for several reasons. First, the number of loans involved—the greater of 10 percent of all loans insured or 50,000 loans—is entirely too restrictive in view of the way most FHA-insured loans are financed. Approximately 80 percent of all FHA loans are placed in GNMA-mortgage-backed security (MBS) pools. The GNMA-MBS program requires all loans in each MBS-pool to carry the same interest rate. The system is designed to operate at maximum efficiency with a high volume of loan production. The advantages to be afforded lenders by having 10 percent of all FHA-insured loans carry negotiated interest rates is too small to be worthwhile, when balanced against the existing high volume system of originating loans all carrying the same interest rate and thus, all eligible for placement in GNMA-MBS pools.

Second, the statutory requirement of a 30 day commitment period is excessive, in light of the volatility of interest rates in the past several years. The requirement places all the risk of interest rate shifts on the lender and thus is an inducement for lenders not to participate in the demonstration program.

If lenders are to bear all the risk of interest rate shifts, they will have to purchase commitments for funding from investors, at the interest rate agreed upon with the borrower. The cost of purchasing the commitment would have to be recouped from the borrower, either through a fee or a higher interest rate. If for any reason, the loan did not close, then the lender could very well be forced to bear the entire cost of the funding commitment purchased from the investor. Faced with this choice, most lenders will choose not to participate in the demonstration program.

This points out the difficulties and complications that result when Congress attempts, through legislation, to impose artifical restrictions on free market transactions that take place in a volatile environment. We urge Congress to follow the recommendation contained in the Administration's FY 1983 budget and remove all interest ceilings on FHA-insured loans.

FHA INSURANCE AUTHORITY

Section 503 would place a $40 billion ceiling on FHA's insurance commitment authority for FY 1982. MBA is opposed to any ceilings being imposed on the non-subsidized, user-fee supported FHA insurance programs. Rather than inflexible ceilings, the demand nature of these successful programs argues for the setting of targets only. If Congress does, nonetheless, impose ceilings on these programs, they should be high enough to permit these programs to operate responsively to consumer demand and without disruption. In that event, $40 billion of FHA insuring authority in FY 1983 would appear to be adequate. The Administration's budget, transmitted to Congress last month, carries the Administration's proposal of a $35 billion ceiling for FHA, which could well prove to be inadequate to meet the demands for FHA-insured loans, particularly if there is a housing recovery in FY 1983. This issue is discussed in greater detail later in the testimony.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

Section 507 provides for a ceiling of $68.25 billion on GNMA's authority to guarantee

93-366 O—82——8

mortgage-backed securities (MBSs). As stated previously, MBA opposes placing ceilings on user-fee supported, non-subsidized programs such as the GNMA-MBS program.

However, if Congress does impose a ceiling, it should be high enough to allow the program to operate as a demand oriented program without disruption. In that event, $68.25 billion would appear to be sufficent for FY 1983. The Administration-proposed budget for FY 1983 would set the GNMA-MBS ceiling at $38.4 billion. The Administration figure is totally inadequate in light of past experience with the program. This issue is also discussed in greater detail later in the testimony.

With respect to any FHA and GNMA commitment ceilings which Congress may establish, MBA urges that an anti-impoundment provision be included, whereby such ceilings may not be reduced administratively. This will also be discussed in greater detail later in the testimony.

LIMITATIONS ON FNMA/FHLMC MORTGAGE PURCHASE AUTHORITY

Sections 512 and 513 place new limitations on the authority of the Federal National Mortgage Association (FNMA) and the FHLMC's authority to purchase participations in mortgages secured by first and second liens on residential real property and whole mortgages secured by second liens on residential real property. MBA opposes both these provisions.

With respect to participations, although mortgage bankers have traditionally been whole loan sellers and, therefore, have had little involvement in any of FNMA's or the FHLMC's current participation programs, we nonetheless question both the reasoning behind and the

necessity for section 512. Rather than getting into a lengthy discussion regarding the legislative history of the provision governing FNMA and FHLMC's mortgage purchase authority, for the purpose of our comments, we will assume that such provisions are silent regarding the treatment of participations. That being the case, we are simply at a loss to understand why, given the current state of the housing market, Congress would seek to restrict the availability of any source of housing funds. We are not dealing with a finite amount of funds, which are somehow in danger of being directed to the highest end of the markets, absent the type of restriction imposed by Section 512. And even if we were, the current limitations would still apply to whatever participation interest is purchased. We might parenthetically add, that we think the time has come to re-examine the whole question of what, if any, purchase limitations should be continued.

Neither FNMA nor FHLMC seeks to abandon their traditional role in providing funds for middle-income families. In our view, a greater threat to their ability to fulfill this lies in unreasonable restrictions on their flexibility to respond to market value.

When introducing this legislation, Chairman Gonzalez quite correctly characterized this legislation as a "positive program." If enacted, Section 512 can only hurt, not help housing.

Section 513 would similarly impose limitations on the amount of second mortgages eligible for purchase, based on the lower of the dollar amount of the second mortgage or a loan-to-value ratio that includes the principal obligation of the first mortgage. Among the dramatic changes that have taken place in residential finance in the last several years is the transformation of second mortgages from a means for established homeowners to realize a portion of the equity in their homes without selling those homes, to a significant means of financing the purchase of many existing and new homes today. FNMA has

programs to purchase second mortgages and participations in whole mortgages and pools of second mortgages, while the FHLMC has a home improvement loan purchase program. FNMA's programs were created partly in response to the market developments outlined above, and partly as an effort to cope with the earnings problems brought about by state due-on-sale restrictions, which are discussed later in this testimony. FHLMC's program was established pursuant to specific Congressional authorization and without statutory dollar amount purchase limitations. These programs are creative responses to changes in residential finance and underscore the growing importance of the secondary mortgage market as a source of funds for residential mortgages.

Unfortunately, both FHLMC and FHMA have been relative newcomers to the second mortgage marketplace. This absence created a void that was all too quickly filled by entities with limited lending experience and, in many instances, questionable ethics. The well-publicized problems with second mortgage lenders in California might have been avoided, or at least mitigated, if an organized and experienced secondary market had been in existence. The restrictions in Section 513 have the potential to force additional borrowers away from traditional sources of funds, such as FNMA and FHLMC, and into dealings with those fly-by-night companies that have escaped bankruptcy to date.

We urge this Subcommittee and the Congress not to adopt Sections 512 and 513 of the bill.

EMERGENCY MORTGAGE RELIEF

Section 601 provides a program for emergency mortgage relief. This program, to be administered by HUD, would go into effect if the rate of residential mortgages with payments at least 60 days delinquent rose to 1.3 percent on average for a period of three

consecutive months. Mortgagors would be eligible for assistance if they had suffered a reduction in income due to circumstances beyond their control; had received a foreclosure notice or were at least 90 days in arrears on their mortgage payments; and if the HUD Secretary determined that they would be able to resume making full payments on their mortgage within 24 months. Payments would be made on their behalf for 12 months, with an additional 12 months permitted if circumstances warranted. The payments made would constitute a lien on the property that would be repayable under conditions set by the Secretary.

Enactment of this program in present form would place an enormous administrative burden on HUD at a time when the Department is laboring to implement the already authorized, temporary mortgage assistance payments program for FHA borrowers. We would caution Congress that, due to the scope of this proposed program, its efficient operation could well be beyond HUD's current capability.

FHA AND GNMA-MBS COMMITMENT LIMITATIONS

As stated previously, MBA opposes setting limits on these self-supporting programs.

However, if limits are to be established they should be set high enough to accommodate demand. The Administration in its FY 1983 budget proposal has requested that the GNMA Mortgage-Backed Security (MBS) program be restricted to $38.4 billion, and the FHA mortgage insurance programs be limited to $35 billion. The Administration has also proposed a "supplemental reduction" in the FY 1982 GNMA-MBS level of $20.25 billion to bring it to a ceiling of $48 billion.

MBA is seriously concerned that even if interest rates remain at or near their current levels, the $38.4 billion limit for the GNMA-MBS program will prove insufficient. If interest rates drop and proposals to create several alternative financing proposals are successful, the FHA commitment ceiling may prove insufficient. Therefore, MBA supports the FY 1983 commitment contained in HR 5731 of $40 billion for the FHA mortgage insurance programs and $68.25 billion for the GNMA-MBS program.

MBA believes that reductions in Federal spending are necessary in order to decrease interest rates and restore investor confidence. The FHA mortgage insurance and GNMA-MBS programs, however, rely solely on private investment funds. There are no Federal dollars expended under these programs. Nor are there any ties to the Federal Financing Bank, as the private lender, not the Federal government, is responsible for marketing the GNMA securities to investors through Wall Street dealers. To have any favorable impact whatsoever on financial markets, reductions in Federal spending must be real ones, not simply artificial reductions on paper.

Proposed reductions in the FHA mortgage insurance and GNMA-MBS guaranty commitment levels will not have an ameliorative effect on interest rates and on the financial markets. Even if marginally qualified home mortgage borrowers are rationed out of the markets, because they are unable to obtain mortgage financing at all, Federal deficit spending will soak up that reduced share. Thus, the real issues involved in these proposed reductions are whether the Federal government intends to reduce its commitment to housing and mortgage finance, by restricting programs that enhance the availability of adequate supplies of mortgage credit, especially for moderate- and middle-income families and first-time homebuyers, and whether these reductions signal an intent to reduce, overall, the share of credit that has historically been utilized in financing mortgages.

These issues are being addressed at a time when the potential demand for home mortgage credit has never been stronger. The Federal government, long ago, recognized the social need for, and importance of, housing its citizens, and responded in an appropriate manner by creating programs to fulfill this social goal. Not only have the non-subsidized FHA insurance and GNMA-MBS guaranty programs worked efficiently by not incurring any costs that drained tax revenues, but they have been profitable and have achieved a remarkable success in structuring a mortgage finance delivery system that provides readily available sources of mortgage credit throughout all phases of interest rate cycles, involving private sector lenders and investors to a maximum degree.

The real benefit enjoyed under these programs is not a subsidy, but the capital market efficiency of the GNMA security, and the standardization offered by the underlying FHA and VA loan instruments. The non-subsidized FHA mortgage insurance programs provide an unfailing source of private mortgage credit for low-downpayment, fixed-rate loans to homebuyers. The GNMA-MBS program ensures lenders of ready placement in the secondary market for FHA and VA loans. In effect, the existence of the GNMA-MBS program allows the individual consumer the same access to the credit markets as large corporate borrowers and the government.

The future of the mortgage finance delivery system is heavily clouded by uncertainty. The thrift industry is undergoing unprecedented difficulties, which undermine its capacity to provide long-term financing for mortgages.

Fundamental changes in the future powers of all financial institutions are presently being debated in Congress, and those changes will undoubtedly alter the roles of many institutions that previously have been deeply involved in mortgage finance. As the role of these traditional mortgage finance institutions as a predominant source of mortgage

credit is altered, the pivotal importance of the secondary mortgage market will increase, because of its ability to attract adequate supplies of mortgage credit from non-traditional, as well as traditional, investors. A lender, rather than having to procure an investor for every individual loan, now packages a number of loans in a mortgage pool. Investors need not consider the merits of the individual loans themselves, or even know anything about mortgages, but rely instead on the proven track record of the GNMA security.

Not only is the role of primary lending undergoing radical changes, but the very nature of the mortgage, itself, is being altered. With the inflationary atmosphere and volatile interest rates of the recent past, investors are less willing to lock their funds into long-term fixed rate instruments. The proliferation of creative mortgage financing techniques precludes standardization of the underlying mortgage instruments—a feature that is essential whenever loans are to be pooled and sold in packages as securities in the secondary mortgage market.

The GNMA-MBS is one of the most significant and successful mechanisms ever devised for attracting capital for mortgage investments. MBA believes that the continued strength of the GNMA-MBS program will assist rather than impede the development of a viable conventional MBS market, because trading in the GNMA-MBS serves to establish a benchmark for the pricing of these instruments, as well as serving as a model for the development of a conventional MBS in a market that is currently undergoing radical changes. These fundamental changes inhibit the standardization that is so necessary to investor acceptance of these types of instruments, and may retard the development of an acceptable conventional MBS format.

In summary, the actuarially sound FHA mortgage insurance programs and the GNMA-MBS guaranty program were created to foster support for homeownership and assure access to the credit markets. These programs are remarkably successful at achieving these goals, at no cost to the Treasury. However, the task is not yet finished. The 1980s represent a clear challenge to the housing and mortgage finance industries to deliver adequate supplies of affordable mortgage credit to unprecedented numbers of potential homeowners. The FHA and GNMA-MBS programs will help to address those needs efficiently, unless credit budget ceilings restrict their operations. This Congress will decide whether this Nation's commitment to housing its citizens remains one of its important goals.

With respect to the FHA and GNMA ceilings, we urge the inclusion of procedural protections in any credit budget for these self supporting programs. First, anti-impoundment protections should be included so that the congressionally approved limits cannot be rolled back by administrative fiat. Second, a system to alert the appropriate committees, if the ceilings are approached, should be instituted to give Congress sufficient time to react. Third, the procedures established for adjusting ceilings in the event they are reached should be streamlined, to avoid market disruptions. Prior to 1961, when limits were placed by the authorizing committees on FHA insurance levels, these ceilings created serious disruptions in the mortgage market whenever they were reached. Recognizing this, Congress instituted the practice of annual FHA insurance activity authorizations, but no longer set dollar limits.

PREEMPTION OF STATE LAWS

Due-on-Sale. MBA urges the Congress to consider a Federal preemption of state due-on-

sale restrictions. Currently, federally chartered savings and loan associations enjoy a preemption from state laws that restrict or prohibit the exercise of due-on-sale clauses in mortgages by virtue of regulations issued by the Federal Home Loan Bank Board (FHLBB). National banks will also enjoy such a preemption if proposed regulations are adopted by the Comptroller of the Currency. MBA recommends that Congress extend equal treatment to all mortgage lenders, including mortgagees approved by the Department of Housing and Urban Development (HUD). Such a Federal preemption would permit all lenders to exercise due-on-sale clauses in existing mortgages and insert enforceable due-on-sale clauses in new mortgages.

State law restrictions and prohibitions on exercise of due-on-sale clauses have already disrupted the secondary mortgage market. The two major secondary market institutions investors, FHLMC and FNMA, have altered their investment practices and procedures respecting loans originated in those 14 states listed in Appendix 1. FNMA requires a seven-year "call provision" to be inserted in mortgages originated in those 14 states. For a period, FHLMC did not accept loans from states where the restrictions on due-on-sale were so severe that lenders could not even examine the creditworthiness of a third-party assumptor. These actions mark a significant, adverse change in the nationwide character of the secondary mortgage market and will seriously impact interstate commerce. The efficiency and liquidity of the secondary mortgage market depends on uniform, homogenous products. The contribution made by FNMA and FHLMC towards achievement of this goal is undermined when state laws force the creation of non-homogeneous instruments.

In addition to the competitive inequities, we believe the two rationalizations most often advanced for prohibiting or restricting the exercise of due-on-sale clauses—that such clauses constitute an unreasonable restraint on alienation, and that the lender, as

evidenced by the loan agreement, was willing to accept the stated interest rate for 30 years—are weak and unconvincing arguments.

Whether the due-on-sale clause acts as an unreasonable restraint on alienation—that is, the ability of the homeowner to sell the property—is a question that is valid only in periods when market rates substantially exceed the existing loan's contract rate. Where high rates work against the lender, they tend to work for the seller with an assumable mortgage, though not necessarily for the buyer. In practice, the seller is usually able to obtain a higher price for the house when accompanied by the lower interest rate of the original loan. The question here is what is meant by "unreasonable."

Courts have suggested that the due-on-sale clause constitutes an unreasonable restraint on alienation because the seller must either offer the house at a lower price or not sell. However, the due-on-sale clause is not capable of forcing the price of the house so low that the owner cannot sell without a loss. It is, in fact, not able to force the price down at all. The lower sales price represents the true market value of the house, and it is the assumption option that actually inflates the sales price. Thus, the seller enjoys a windfall at the expense of the lender and, often, at the expense of the buyer as well. Consequently, if the sales price engendered by high interest rates is consistent with those of the local housing market, then the house would be removed from the market only by the seller's choice. Thus, any restraint on the sale results not from any artificial barrier created by the lender, but by market factors outside of either the lender's or the borrower's control. Because nonassumability in itself cannot, in fact, take the house off the market, the "unreasonable restraint on alienation" must mean that the seller has the right to expect and receive a higher price regardless of any other factors. Thus, anything less than the expected price is "unreasonable."

The second argument most commonly used in restricting assumability is that the lender, as evidenced by the loan agreement, was willing to accept the stated rate of interest for the full term of the loan. This overlooks the fact that a due-on-sale clause, by its very terms, states that the lender was willing to accept the rate only for such time as the original borrower owned the underlying property. Enforcing a due-on-sale clause does not abrogate the contract, it merely carries out its terms. Restricting enforcement, retroactively and unilaterally, changes the terms of the contract to the detriment of the lender, who merely seeks to obtain that for which he bargained.

These two arguments work together to support a situation that insulates the seller against market conditions and that transfers income from the lender to the borrower in the form of a windfall. Quite simply put, pro-assumption is thought to be pro-homebuyer. MBA finds this view extremely myopic and ultimately self-defeating. While there may be some short term gains benefitting individual homebuyers, laws requiring assumption will inevitably work against homebuyers in general.

It is usually the individual seller who experiences most of the gain at the time of assumption. The buyer is not likely to realize the full benefit of a low rate, existing loan, since market demand is usually sufficient to raise the price of the house to the point where most of the savings on the lower mortgage rate will be negligible. Whatever the immediate gains to an individual seller or buyer, homebuyers, in general, will eventually have to pay higher rates on real estate loans, as premiums for the option of assumption, and will find their choice of financing alternatives increasingly limited because of the adverse effects of loan assumptions on portfolio lenders in a rising interest rate market.

<u>Adjustable Rate Mortgages (ARMs)</u>. We also urge the Congress to consider a similar Federal preemption of those state laws that restrict or prohibit HUD-approved lenders and state-chartered, federally insured depository institutions from offering the same types of ARMs that federally chartered lenders are able to offer. Federally chartered lenders enjoy a preemption from state laws that otherwise would prohibit or restrict them from offering the full range of ARMs made available through regulations issued by the FHLBB and the Comptroller of the Currency.

The effect of these state laws that restrict ARMs is pervasive. HUD-approved mortgagees, and state-chartered, federally insured depository institutions in some 26 states will not be able to offer the full range of ARMs available from federally chartered lenders. (See Appendix 2.)

As stated earlier, in order for lenders to accommodate consumer demand for mortgage credit, a vibrant, active, nationwide secondary mortgage market is essential. In order to have such a secondary mortgage market, there must be full and free competition among lenders to produce mortgages that serve the needs of homebuyers and are attractive to investors. State laws that limit the number of lenders that can offer ARMs or mortgages with due-on-sale clauses have the opposite effect to what is needed for such a strong secondary mortgage market.

Additionally, state-chartered, federally insured thrift institutions will need the same range of flexibility afforded their federally chartered cousins in devising ARMs that will match their assets with their liabilities, if they choose to remain portfolio lenders, either in whole or part. Unduly restrictive state laws could place these institutions in a severe,

unfair bind, and force them to abandon residential mortgage lending for their own portfolios.

If both Federal preemptions are enacted, lenders would be competing on equal terms for mortgage business and consumers would benefit both by having a choice of lenders and a broader array of terms and instruments to choose from. MBA urges Congress to include such preemptions in HR 5731 as a means of helping to ensure that America's future home financing needs will be met.

FEDERAL HOME LOAN MORTGAGE CORPORATION

There are two issues MBA would like to raise in connection with the FHLMC. The first is HR 4787, a bill that would provide for the recapitalization of the FHLMC by transforming it into a Federally chartered, privately owned, stock corporation. The second deals with the fee charged lenders, who are not members of the Federal Home Loan Bank (FHLB) system, who sell loans to the FHLMC.

FHLMC Recapitalization Proposal. The FHLMC has secured introduction in Congress of HR 4787, which would authorize the restructuring of the FHLMC in order to attract additional capital for an expansion of its mortgage activities. MBA endorses the recapitalization plan of the FHLMC as a step necessary to increase the capacity of the secondary mortgage market, so that the market will be broad enough to accommodate all lenders seeking to sell mortgage loans. We urge this Subcommittee and the Congress to consider the legislation promptly. The debt-to-capital ratio of the FHLMC, because of mortgage purchase activity this year and in the past, promises to be at an unacceptably high level by the end of 1982, unless this legislation is enacted. A failure to do so may

force the FHLMC to curtail mortgage purchases or charge all lenders who sell mortgages to FHLMC very high fees. Either action will redound to the detriment of the homebuying public, either through a reduction of available mortgage credit or an increase in mortgage interest rates.

HR 4787 will transform the FHLMC into a government chartered, privately owned corporation authorized to purchase mortgages, to issue conventional mortgage-backed securities (CMBSs), to guarantee CMBSs issued by eligible sellers, and to treat seller/servicers on an individual basis, rather than by type or class. The legislation would permit the FHLMC to guarantee CMBSs issued by FHLMC-eligible sellers and backed by pools of mortgages, patterning its plans on the successful operation of the GNMA-MBS pools of government-insured and guaranteed loans. The stunning success of the GNMA-MBS, in large part due to its liquidity, its attractiveness to a wide range of non-traditional mortgage investors, and the aggressive marketing by individual issuers, has created the impetus for the FHLMC's proposal to recapitalize and intitiate a program to guarantee CMBSs. Once this program is operational, the ability of the secondary mortgage market to supply the capital needed for American's mortgage credit needs will be enhanced substantially.

In light of the new FNMA-CMBS program, it is legitimate to ask whether there is a need in the market for two federally chartered entities, operating similar programs. We think there is, and that the reason can be summed up in a single word—competition. The presence of both FNMA and FHLMC will expand the breadth of the secondary market as each entity seeks to attract new investors in their CMBSs through innovative programs, aggressive marketing, and other means. For example with the existence of two entities, neither FNMA nor FHLMC will have the luxury of being the sole determinant of the rules of the CMBS market, and thus will be forced to work hard, not simply to adapt to changes

in the market, but to anticipate those changes and to act accordingly. This constant competitive striving for that extra edge will lend a vigor to the marketplace that would be absent if only one institution existed.

This vigor will be extremely important if the conventional mortgage market is to be as successfully securitized as the FHA-VA market has been. It is true that this securitization of the FHA-VA market was done under the auspices of a single entity—GNMA. However, one very important fact must be kept in mind. The market acceptance of the GNMA-MBS and the liquidity that flows from that acceptance is in large measure due to the backing of the GNMA-MBS by the full faith and credit of the United States Government. Neither the FHLMC- nor the FNMA-CMBS will enjoy this backing, and it will be vital to the success of both that they be tailored to receive ready acceptance by investors, to assure the highest possible volume of sales, which, in turn, will generate liquidity. Competition will immeasurably aid the speed with which this process will be accomplished for both CMBSs and thus, it is vital that both FNMA and FHLMC remain distinct entities operating in the secondary market. It is important, though, that neither entity should have a competitive advantage because of provisions in their respective charter acts.

Non-Member Fee.

Currently, lenders who are not FHLB-system members must pay an additional fee equal to .5 percent of the balance of any mortgage loans they sell to the FHLMC. This fee is not paid by FHLB-system lenders. The rationale for the fee is that it constitutes a capital contribution on the part of non-FHLB system lenders to the FHLMC, recognizing that the FHLMC was originally capitalized by a $100 million contribution by the Federal Home Loan Banks. In enacting P.L. 97-110 last year, Congress, in removing the volume

limitation on the purchase of loans one year old or older by both the FHLMC and FNMA, also prohibited the FHLMC from charging non-FHLB system members fees not charged FHLB-system members in the purchase of loans one year old or older, where the seller contemporaneously sells such mortgages and receives in payment for such mortgages securities representing an undivided interest in those mortgages.

MBA believes Congress should extend this prohibition to all FHLMC loan purchase programs. The original rationale for the fee differential has lapsed now that the FHLMC has purchased in excess of $20 billion worth of mortgages from FHLB-system lenders. If the FHLMC had been charging a .5 percent fee on those purchases, the total would have been approximately $100 million, the amount of the original capital contribution by the Federal Home Loan Banks. Thus, the FHLB-system lenders have received a benefit equivalent to their original contribution, and the rationale for a differential in the fee structure no longer exists. The FHLMC could revise the fee structure administratively, but thus far has been unwilling to do so.

If Congress decides not to prohibit a fee differential for all of FHLMC's mortgage purchase programs, MBA urges extending the prohibition contained in P.L. 97-110 to new mortgages purchased by the FHLMC in return for FHLMC mortgage-backed securities.

The FHLMC has announced its intention to begin purchasing new mortgages in such a manner. Mortgage banking companies do not participate in the purchase program for loans one year old or older, because mortgage bankers are not portfolio lenders and, therefore, do not own any mortgages one year old or older. Mortgage bankers sell all the loans they originate within a brief period of time after origination. However, mortgage bankers could participate in the new FHLMC purchase program, where payment for the new loans purchased will be FHLMC securities representing an undivided interest in those

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same loans. Mortgage bankers, and all non-FHLB-system lenders, will be at a considerable competitive disadvantage under this new mortgage purchase program because of the fee differential. The only function the fee continues to serve is to discriminate between classes of lenders and to drive up the cost of mortgage credit for homebuyers who borrow from non-FHLB-system lenders. Thus, no one is served, not the homebuyer, not lenders, and not even the FHLMC whose volume of business would be considerably larger if non-FHLB-system lenders could compete on an equal footing.

MBA urges Congress to add a provision to HR 5731 that would prohibit the FHLMC from charging non-FHLB-system lenders different fees, under all mortgage purchase programs, than are charged to FHLB-system lenders.

"THE HOME MORTGAGE CAPITAL STABILITY ACT," HR 5568

Chairman St Germain has introduced HR 5568, "The Home Mortgage Capital Stability Act," which is designed to provide assistance to financially troubled depository institutions that have at least one-fifth of their portfolio in residential mortgages and meet certain other specific conditions. In addition, HR 5568 would require that any lending insitution that receives such assistance would have to invest at least 50 percent of its net new assets in mortgages for first time homebuyers at interest rates one percent over the institutions' average cost of funds.

MBA supports the general concept of providing financial assistance to troubled thrift institutions. Frankly speaking, the basic policy decision to protect deposits and inspire confidence in these institutions was made by Congress nearly fifty years ago when the Federal deposit insurance funds were created. The choice that Congress faces now is

whether to continue providing financial assistance through the deposit insurance funds, or to set up a new mechanism for assistance in the belief that the financial difficulties of the thrift industry are so widespread as to be beyond the capabilities of the present system, or nearly so.

We urge the Congress to give careful and serious consideration to the Chairman's proposal, as well as others that may be forthcoming, in order to fashion the most comprehensive and cost effective solution possible to the financial difficulties of the thrift industry.

We also urge Congress not to include a mandatory requirement in any such legislation that is enacted, for institutions that receive assistance, to invest in residential mortgages with below market rates, or to target such assistance to any particular group of homebuyers.

A requirement to originate below-market-rate loans would place all lenders not receiving such assistance at a decided competitive disadvantage. Essentially, two classes of lenders would be created by this proposed provision—non-federally assisted lenders offering market rate loans, who would have little or no business if high interest rates persist, and lenders receiving direct financial assistance from the Federal government who would be enjoying a booming business because of their below-market-rate loans. While MBA supports temporary assistance to ailing thrift institutions, we do not support bestowing competitive advantages upon those institutions at the expense of financially viable lenders.

RECESSION AND BUDGET PROPOSALS FOR MULTIFAMILY ASSISTED HOUSING PROGRAMS

Finally, we would like to bring to the Subcommittee's attention two Administration proposals that could sharply curtail the already low level of subsidized multifamily rental housing production.

The multifamily housing industry has been operating under the impression that the Administration was committed to funding the current 'pipeline' of multifamily housing projects. HUD Secretary Samuel Pierce, along with many Congressional leaders, have, throughout the past year, announced such a commitment and promised efforts that would enable those pipeline projects to proceed. Based on those promises, developers, in good faith, have invested millions of dollars to keep their projects alive during the last year awaiting an improved market. They currently face huge losses because they relied on such commitments to the pipelipeline.

Now the Administration has concluded that the Secton 8 leased Housing Assistance Program is too costly and should be discontinued after FY 1982. The FY 1983 budget proposal calls for rescission of FY 1982 Section 8 budget authority that represents the loss of over 75,000 Section 8 units for which funds have been committed.

In addition, certain departmental regulatory actions will curtail activity even for those pipeline projects that otherwise would be funded. An example of the regulatory actions being taken by HUD, which have the effect of impoundment, is the imposition of a 7.75 percent per annum cap on Section 8 contract authority increases. Many projects have been in the pipeline for several years, over which time double-digit inflation has meant that the rent expenses originally calculated for the projects would result in a lesser

amount than is needed to run the project without an operating deficit. Congress should be aware that the greater increase is not needed because of cost overruns in building the projects, these projects have not yet begun construction. The increase is needed to get the projects started at a feasible level. To reiterate the point, this 7.75 percent limitation is, in effect, an impoundment of Section 8 funds because, with its imposition, projects are infeasible, and therefore, cannot go forward. If they did go forward, the operating shortfall would continue throughout the life of the project.

We urge Congress to reject the Administration's proposed rescission of FY 1982 Section 8 funds and to direct HUD to establish a more realistic cap on Secton 8 contract authority increases, so as to permit the construction of those projects that that have been languishing in the pipeline. The object of the Section 8 program is to house low income people. The Administration's actions in these instances are directly contrary to this purpose.

Thank you for the opportunity to testify. I will be happy to answer any questions you may have.

APPENDIX 1

STATES WHERE THE EXERCISE OF DUE-ON-SALE CLAUSES IS PROHIBITED OR RESTRICTED

Arizona

California

Colorado

Florida

Georgia

Illinois

Iowa

Michigan

Mississippi

New Mexico

Ohio

South Carolina

Utah

Washington

Source: Mortgage Bankers Association of America, March 1982

APPENDIX 2

STATES THAT RESTRICT ADJUSTABLE RATE MORTGAGES (ARMs)

Alaska
Arkansas
District of Columbia
Florida
Georgia
Hawaii
Idaho
Indiana
Iowa
Kansas
Maine
Michigan
Missouri
Montana
Nevada
New Jersey
New York
North Dakota
Ohio
Oregon
Pennsylvania
South Carolina
Tennessee
Vermont
West Virginia
Wyoming

Source: Mortgage Bankers Association of America, March 1982

Chairman GONZALEZ. Thank you very much, Mr. Gourley. And you are bound to have some publication that has your biographical data. I thought the Mortgage Bankers Journal, did they not have an article about 6 months ago?

Mr. GOURLEY. Well, I was not the author. I need one to get pride of authorship.

Chairman GONZALEZ. Anyway, thank you very much.

Mr. GOURLEY. Thank you, sir.

Chairman GONZALEZ. We will proceed with Mr. Laguarta. And thank you again for being with us. I know you were last year, and we deeply appreciated it then and we appreciate it now.

I hope you have not lost any more members than you reported last year.

Mr. LAGUARTA. Unfortunately, we have.

STATEMENT OF JULIO S. LAGUARTA, PRESIDENT, NATIONAL ASSOCIATION OF REALTORS, ACCOMPANIED BY AL ABRAHAMS, SENIOR VICE PRESIDENT FOR GOVERNMENTAL AFFAIRS

Mr. LAGUARTA. Thank you, Mr. Chairman. I too appreciate the opportunity of testifying before your subcommittee once again. This is my third opportunity to do so and we always appreciate that opportunity.

Unfortunately, the only article or publication that I have that features me I would prefer not to be presented in the record, in that it appears prominently in many post offices in the Southwest part of the United States. [Laughter.]

And it has my picture and a little "wanted, dead or alive" on it. So I would appreciate you not making that a part of the record.

My name is Julio Laguarta and I am a realtor from Houston, Tex., and president of the National Association of Realtors. We used to say our 760,000 members; at the end of last year we said our approximately 700,000, and we are now at 675,000 and counting. And at this point we are anticipating a further drop in membership during the balance of 1982.

We do appreciate the opportunity to present our views on the Housing and Community Development Amendments of 1981, your H.R. 5731, and the Home Mortgage Capital Stability Act, H.R. 5568, and a number of other issues before the subcommittee.

We too have a prepared statement that we have presented to the subcommittee, that we would like to have made a part of the record, and we would like to address certain portions of our testimony if we could.

Chairman GONZALEZ. Without objection, so ordered.

Mr. LAGUARTA. Accompanying me from our staff is our senior vice president for governmental affairs, Mr. Al Abrahams.

For 40 months now, housing activity has steadily declined, and this decline has accelerated during the past 12 months to the point where we are immersed in the worst housing depression since the 1930's. The Federal Government is the primary cause, and that is because of:

No. 1, record deficits as measured by current dollars, the percentage of gross national product or percent of personal savings, which is much higher than any other country;

No. 2, record borrowing by the Federal Government for these deficits;

No. 3, record seasonal borrowing from annual rates of $60 billion surplus in the second calendar quarter to $200 billion deficit in the fourth and first quarters, which guarantees wide and harmful seasonal fluctuations in interest rates;

No. 4, record removal of personal and other savings from use by housing and industry.

These events have resulted in record real interest rates, double and triple normal levels and much higher during this Congress and administration than in any others. These events have caused the loss in the value of every American's home of up to 25 percent and caused the loss in the value of the average American's savings and investment in housing by 50 percent.

These events will completely offset the stimulating effects of last year's tax incentives to invest, even though that incentive was small compared to last year's tax incentive to consumers and small companies compared to the proportion of past tax relief measures.

These events will limit recovery to about one-half the normal rate. These events thus will provide only modest improvements in our Nation's standard of living and a limited increase in jobs during the next 3 years.

These events will continue to cripple the interest-sensitive sectors in the U.S. economy, such as small business generally, automobiles, farming, exports, and housing, and the mature regions of our country, such as the Northeastern and North Central States.

These events will lead to greater economic concentration and conglomerate tying arrangements, which will likely cause higher housing costs and less homeowner choices in financing and products and other services in the future.

As these factors indicate, housing is in serious trouble. We have been distressed to see housing at such a low point on the administration's agenda. We hope to see the administration be more supportive of housing in the future.

Single-family production proposals before the Congress probably will be considered this year. While these would provide needed employment in the construction trades and statistically improve sagging new starts, all are targeted to lower income groups that face particular difficulty in achieving homeownership. All would require Federal spending, with consequent deficit increases. The subcommittee should consider that prospective home buyers presently excluded from homeownership have strikingly high incomes in terms of area median income profiles.

Our concerns with all of these programs, including the proposal offered by the chairman of the Senate Housing Subcommittee, lie in the following areas:

Congress will not finish its consideration of housing and thrift proposals until late 1982.

Relief will not come until 1983 or 1984, if they are solely and exclusively new construction programs. Their product will, as is always the case with production programs, arrive too late to effectively meet current demand.

Regulations to implement any new stimulus programs will add further delays.

Such a vast percentage of prospective home buyers are now precluded from homeownership that any allocation system will be inequitable.

Meanwhile, what is needed is immediate short-term aid that avoids the Federal budget consequences that accompany spending side solutions. It is urgent that we get the existing housing market moving by the quickest means available, and this in turn will provide the means to absorb the new construction product of any long-term program that Congress may provide this year.

Our concern is housing, housing of all types. We hope that this is your concern, too. We recognize that Congress is composed of committees that deal with segments of problems. We urge you to put aside these jurisdictional limitations and address the housing problem from the standpoint of developing a program that can be implemented quickly.

One key to achieving a successful stimulus of the housing industry is to build on a program that is on the shelf and not start from scratch. Currently the Congress is in conference on legislation, H.R. 4717, the Miscellaneous Revenue Act of 1981, which contains changes in the mortgage revenue bond program. This conference could provide a basis for housing recovery before the end of 1982.

When the mortgage revenue program was authorized, Treasury cost estimates were placed at between $15 and $20 billion. To date only $6.5 billion has been consumed, leaving $9 to $14 billion available. No additional funds will be required for full implementation.

Only minor administrative and regulatory changes are necessary. These changes will increase the number of bonds that can be issued and make mortgages provided by the bonds more readily available; 500,000 families could achieve homeownership under this program within 1 year of the date these changes are adopted.

The National Association of Realtors also recommends first-time home buyers be allowed a credit against Federal income taxes of up to $5,400 on the purchase of a home between March 1 and December 31, 1982. The result would be that more than 250,000 first-time home buyers who would not otherwise have been able to afford a home could purchase a home in 1982.

Mortgage lenders would be able to take a credit against Federal income taxes of up to $5,400 if they make home mortgage loans during the period March to December 1982. In order to qualify for the credit, lenders would be required to use the amount of the credit to decrease the effective rate of interest on the mortgage by 3 percentage points for a 3-year period.

Much, if not all, of the costs of such a tax program could be recouped through a curtailment of the existing all-savers program as of March 31, 1982, instead of its current ending date of December 31, 1982. Revenue-loss estimates for the all-savers program at the time of enactment were $3.3 billion. As of this date only some $700 million of that amount has been consumed by the issuance of all-savers certificates, leaving $2.6 billion unused by the program. Current estimates are that that program will not be significantly expanded between now and March 31.

Although these recommendations are not specifically within the purview of this subcommittee, it is important that we take note of these at this time for several reasons. First, as evidence that we

are concerned with the current state of the housing industry and believe that something can be done to alleviate the distress, without pursuing a spending side solution that merely exacerbates the present budget deficit situation.

Second, we feel that the revenue loss question has already been addressed in last year's tax bill and that our recommendations are merely a reallocation of those dollars for a broader purpose.

And third, this housing aid is clearly short term and provides opportunity for early evaluation of its impact.

Several proposals have been presented, including H.R. 5568, authored by Chairman St Germain and cosponsored by several members of this subcommittee, that are designed to provide short-term assistance for thrift institutions. We must point out that any effort to help thrifts must not perpetuate institutions that are truly unable to survive in the long run. Chairman St Germain has recognized this in H.R. 5568 by requiring that any institution receiving assistance must have demonstrated to the Federal Savings and Loan Insurance Corp. or the Federal Deposit Insurance Corp. that they have reasonable prospects for long-term viability.

When we look at the housing tie-in in H.R. 5568, we are concerned that this expensive, $7.5 billion program could result in a low supply of mortgage funds. I must express the NAR's serious skepticism about this proposal. We urge the subcommittee in its consideration of H.R. 5568 to more clearly define those elements of the proposal which affect housing in such a way that homeowners dependent upon adequate mortgage credit will not be left out in the cold.

If the thrifts to be assisted under H.R. 5568 are as sick as they must be to receive help, we question how they can be expected to experience a significant inflow of new deposits. How can the aggregate net new deposits be expected to produce any new mortgage money, as provided for in this bill?

On secondary markets, we join with our colleagues from the MBA and NAHB in supporting the GNMA mortgage-backed security program. When the Reagan administration resolved to cut Government spending, our association applauded the initiative, believing that large Federal deficits contribute significantly to high and volatile interest rates and economic instability.

The National Association of Realtors opposes cuts by the administration in the GNMA mortgage-backed securities program at this time. We believe that such action would seriously jeopardize the future acceptance of conventional passthrough security instruments.

We support section 507 of H.R. 5731, which sets the GNMA commitment level at $68.25 billion for its mortgage-backed securities program. We believe that this support will provide needed time for the private sector to produce an instrument that will have the same public acceptability in the capital markets as the GNMA security instrument does now.

An adequate supply of affordable mortgage credit in the future is dependent upon an effective secondary market that facilitates investment from both traditional sources of mortgage finance, such as thrift institutions, banks and life insurance companies, and nontraditional sources such as retirement and pension funds, diversi-

fied corporations, investment trusts, and credit unions. The Federal Government can best contribute to this development process by maintaining its commitment to the GNMA mortgage-backed securities program during this transitional period.

The National Association of Realtors supports the unsubsidized FHA mortgage insurance program. The nonsubsidized FHA programs have operated since their inception as actuarially sound, user-fee-supported programs that have helped to deliver affordable mortgage finance to home buyers. Rather than providing a subsidy to these home buyers, FHA assists individuals to compete in the credit markets with large corporate borrowers.

The administration has proposed limiting the use of FHA-insured mortgages to first-time homeowners, or to those areas which are not served by private mortgage insurers. The FHA, which facilitates a working partnership between Government and private enterprise, has successfully delivered housing and mortgage financing to American families for nearly 50 years. It should not be altered during this period of depression in the housing industry.

Since HUD's legislative proposals have not yet been formally presented to the Congress, it is difficult for us to comment on their plans for FHA in fiscal year 1983. As soon as we see this legislative language, we will analyze it and convey our thoughts to the committee.

Mr. Chairman, that concludes our testimony and we would be pleased to answer any questions that your panel may have.

[Mr. Laguarta's prepared statement, on behalf of the National Association of Realtors, follows:]

STATEMENT
on behalf of the
NATIONAL ASSOCIATION OF REALTORS®
regarding
HOUSING AND COMMUNITY AMENDMENTS OF 1982
for the
SUBCOMMITTEE ON HOUSING
AND COMMUNITY DEVELOPMENT
of the
HOUSE COMMITTEE ON BANKING,
FINANCE AND URBAN AFFAIRS
by
JULIO S. LAGUARTA
March 16, 1982

I am Julio Laguarta, a REALTOR from Houston, Texas, and President of the NATIONAL ASSOCIATION OF REALTORS®. On behalf of the 700,000 members of the NATIONAL ASSOCIATION OF REALTORS®, I appreciate the opportunity to present our views on the "Housing and Community Development Amendments of 1981" (H.R. 5731), the "Home Mortgage Capital Stability Act" (H.R. 5568) and a number of other issues before the Subcommittee.

STATE OF THE HOUSING INDUSTRY

When the NATIONAL ASSOCIATION OF REALTORS® appeared before this Subcommittee last year we endorsed a reduction in the growth of federal spending, the implementation of regulatory reform and the adoption of more constant monetary policies with slow but steady growth in the supply of money. We also indicated our continued support "...for a multi-year effort to achieve a more stable and faster growing economy where all Americans will have the opportunity to prosper."

At the time we made these statements we observed that the effort to regain control of our economy would take time and demand sacrifices from the housing industry and other sectors of the economy. Our membership has suffered the effects of the current housing depression at least to the same extent as have other segments of the shelter industry and we are not without concern as to its duration. By the end of January 1982, sales of existing single-family homes on a nationwide basis had fallen to a seasonally adjusted annual rate of 1.8 million units -- less than half of their previous peak level achieved in November of 1978. So far during this recession, 3.2 million resales with a market value of $229 billion have been lost.

For forty months now, housing activity has steadily declined, and this decline has accelerated during the last 12 months, to the point where we are immersed in the worst housing depression since the 1930's. The Federal government is the primary cause and that is because of:

- Record deficits as measured by current dollars, percent of the Gross National Product, or percent of personal or total savings — which is much higher than any other industrial country.
- Record borrowing by the Federal government for those deficits.
- Record seasonal borrowing from annual rates of $60 billion surplus in the second calendar quarter to $200 billion deficit in the fourth and first quarters which guarantees wide and harmful seasonal fluctuations in interest rates.
- Record removal of personal and other savings from use by housing and industry.

These events:

- Have resulted in record real interest rates, double and triple normal levels and much higher during this Congress and Administration than any other.
- Have caused the loss in the value of every American's home up to 25 percent and caused the loss in the value of the average American's savings and investment in housing by 50 percent.
- Will completely offset the stimulating effects of last year's tax incentives to invest even though that incentive was small compared to last year's tax incentive to consumers and small companies compared to the proportion of past tax relief measures.
- Will limit recovery to about one-half the normal rate.
- Thus, will provide only modest improvement in our nation's standard of living and a limited increase in jobs during the next three years.
- Will continue to cripple the interest-sensitive sectors of the United States economy, such as small business generally, automobiles, farming, exports and housing and the mature regions of the country, such as the Northeastern and North Central States.

• Will lead to greater economic concentration and conglomerate tying arrangements which will likely cause higher housing costs and less homeowner choices in financing and products and other services in the future.

As these factors indicate, housing is in serious trouble and in need of federal attention. We have been distressed to see housing at such a low point on the Administration's agenda. We hope to see the Administration be more supportive of housing in the future.

The Administration's current evaluation of its housing posture, through the President's Commission on Housing and the recently established Cabinet-level Housing Task Force chaired by Housing and Urban Development (HUD) Secretary Samuel R. Pierce, may indicate a growing perception within the Executive Branch of the current housing crisis. While we have disagreed with the thrust of the Commission's recommendations for the restructuring of the thrift industry, we have generally agreed with many of its proposals regarding homeownership and multi-family housing. We all await the Commission's final report, due April 30, 1982. In the interim, we hope the Housing Task Force will provide a clear indication that the Administration will provide positive support for the depressed housing industry.

Single-family production proposals before the Congress probably will be considered this year. While these would provide needed employment in the construction trades and statistically improve sagging new starts, all are targetted to lower income groups that face particular difficulty in achieving homeownership. All would require federal spending with consequent deficit increases. The Subcommittee should consider that prospective homebuyers presently excluded from homeownership have strikingly high incomes in terms of area median income profiles.

Our concerns with all of these programs, including the proposal offered by the Chairman of the Senate Housing Subcommittee, lie in the following areas:

• Congress will not finish its consideration of housing and thrift proposals until late fall 1982.

• Relief will not come until 1983 or 1984, if they are solely and exclusively new construction programs. Their product will, as is always the case with production programs, arrive too late to effectively meet current demand.

• Regulations to implement any new stimulus programs will add to further delays.

• Such a vast percentage of prospective homebuyers are now precluded from homeownership that any allocation system will be inequitable.

Meanwhile, what is needed is immediate, short-term aid that avoids the federal budget consequences that accompany spending side solutions. It is urgent that we get the existing housing market moving by the quickest means available and this, in turn, will provide the means to absorb the new construction product of any longer-term program the Congress may provide this year. Our concern is housing. Housing of all types. We hope that this is your concern too.

We must continue to support efforts to reduce federal spending through to its logical end -- a stable economy and a healthy housing industry. To do otherwise is to postpone the inevitable day of economic reckoning.

Consistent with this view, the NATIONAL ASSOCIATION OF REALTORS® recommends:

• Administrative and legislative changes to the Mortgage Revenue Bond program to increase the number of bonds that can be issued and make mortgages provided by the bonds more widely available. 500,000 families could achieve homeownership under this program within one year of the date these changes are adopted.

• First-time homebuyers be allowed a credit against Federal income taxes of up to $5,400 on the purchase of a home between March 1 and December 31, 1982. The result would be that more than 250,000 first-time homebuyers, who would not otherwise have been able to afford a home, could purchase a home in 1982.

• Mortgage lenders be able to take a credit against Federal income taxes of up to $5,400 if they make home mortgage loans during the period March-December, 1982. In order to qualify for the credit, lenders would be required to use the amount of the credit to decrease the effective rate of interest on the mortgage by three percentage points for a three-year period.

Much, if not all, of the cost of such a tax credit program could be recouped through a curtailment of the existing All Savers program as of March 31, 1982, instead of its current ending date of December 31, 1982.

Revenue loss estimates for the All Savers program, at the time of enactment, were $3.3 billion. As of this date, some $700 million of that amount has been "consumed" by the issuance of All Savers Certificates, leaving $2.6 billion unused by the program. Current estimates are that the program will not be significantly expanded between now and March 31.

Although these recommendations are not specifically within the purview of this Subcommittee, it is important that we take note of them at this time for several reasons. First, as evidence that we are concerned with the current state of the housing industry and believe that something can be done to alleviate the distress without pursuing a spending-side solution that merely exacerbates the present budget deficit situation.

Second, we feel the revenue loss question has already been addressed in last year's tax bill and that our recommendations are merely a reallocation of those dollars for a broader purpose. And, third, this housing aid is clearly short-term and provides opportunity for early evaluation of its impact.

SHORT-TERM ASSISTANCE FOR THRIFT INSTITUTIONS

During the last several years, the environment in which thrift institutions have existed has changed dramatically. These changes, coupled with high interest rates, are severely challenging the survivability of many of the nation's thrift institutions. It is appropriate and timely that this Committee should now examine the question of the need for and scope of potential federal assistance for failing thrift institutions.

Unfortunately, the two bodies of this Congress are approaching the problems of financial institutions differently. The House Banking Committee, under the leadership of Rep. St Germain, will address the short-term problems while leaving the

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long-term future and nature of financial institutions for later in-depth analysis. The NATIONAL ASSOCIATION OF REALTORS® supports this approach. We have endorsed H.R. 4603, The Emergency Regulators Bill, and we believe that efforts to defuse the short-term potential crisis will create a better atmosphere in which long-range issues can be addressed.

It appears the Senate, backed by the Administration, is holding H.R. 4603 and other short-term measures until long-term restructuring legislation can be passed. This approach dangerously employs the current problems facing financial institutions as a means of bringing about fundamental, long-term changes in our financial system. We are confident that this Subcommittee shares our concerns that short-term solutions not be held hostage to other legislation.

Several proposals have been presented including H.R. 5568, authored by the Chairman St Germain and co-sponsored by several members of this Subcommittee, that are designed to provide short-term assistance for thrift institutions. We must point out that any effort to help thrifts must not perpetuate institutions that are truly unable to survive in the long-run. Chairman St Germain has recognized this in H.R. 5568 by requiring that any institution receiving assistance must have demonstrated to the Federal Savings and Loan Insurance Corporation (FSLIC) or the Federal Deposit Insurance Corporation (FDIC) that they have "reasonable prospects for long-term viability."

As the FDIC and the FSLIC examine the viability of institutions, it must be remembered that these agencies are designed to protect depositors, not institutions. Any effort to change this basic relationship would be ill-advised.

The 2 percent net worth qualification for assistance provided in H.R. 5568 raises important questions. Could a fairly healthy institution sell off its low-yielding mortgages, thus incurring loss in net worth, in order to qualify for federal assistance? Similarly, could an institution that has already received assistance under this program avoid the repayment provision (which is triggered upon

a return to 3 percent net worth) by selling additional below-market mortgages to keep its net worth below 3 percent? What provisions should there be to avoid these or similar potential misuses of any capital infusion program?

Finally, when we look at the housing tie-in in H.R. 5568 we are concerned that this expensive, $7.5 billion program could result in a low supply of mortgage funds. I must express the Association's serious skepticism about this aspect of the proposal. We urge this Subcommittee in its consideration of H.R. 5568 to more clearly define those elements of the proposal which affect housing in such a way that homeowners, dependent on adequate mortgage credit, will not be left out in the cold.

H.R. 5568 outlines a program to target not less than 50 percent of "net new deposits" for investment in residential mortgages. This part of the proposed legislation is supposed to provide a housing tie but in light of the thrifts recent problem with disintermediation, I have to question the strength of a housing tie based on "net new deposits."

Consider the net inflow of new money to savings and loans during 1980 and 1981 as compared with withdrawal of deposits during that same period. There was a small net inflow of new money ($10.7 billion) to savings and loans during 1980, with a sharp reversal in the first half of 1981. Withdrawals exceeded deposits by $11.1 billion during the latter period. Mutual savings banks had deposit outflows of $6.2 billion (8.2 percent of deposits at an annual rate) in the first six months of 1981.

If the thrifts to be assisted under H.R. 5568 are as sick as they must be to receive help, we question how they can be expected to experience a significant inflow of new deposits? How can the aggregate "net new deposits" be expected to produce any new mortgage money as provided for in this bill?

There are other proposals to provide short-term assistance to thrifts by various trade groups. We have only seen outlines of these proposals which vary in expense and scope, so it is difficult to assess them.

I would like to comment briefly on the capital infusion element of the proposal of the U. S. League and the National Association of Mutual Savings Banks.

The mechanism for this assistance, Income Capital Certificates (ICCs), is presently used by the FSLIC to facilitate mergers and we are certainly intrigued by the prospect of using ICCs to forestall the need for more mergers. The concept has potential because no direct expenditures are necessary, but it does increase the contingent liabilities of the federal government. If such a program were to be enacted, it might be wise to place a limit on the total volume of ICCs that could be issued.

SECONDARY MARKETS

GNMA Mortgage-Backed Securities

When the Reagan Administration resolved to cut government spending, our Association applauded the initiative, believing that large federal deficits contribute significantly to high and volatile interest rates and economic instability.

Nonetheless, the NATIONAL ASSOCIATION OF REALTORS® opposes cuts by the Administration in the GNMA mortgage-backed securities program at this time. We believe that such action would seriously jeopardize the future acceptance of conventional pass-through security instruments. We support Section 507 of H.R. 5731 which sets the FNMA commitment levl at $68.25 billion for its mortgage-backed securities program. We believe that this support will provide needed time for the private sector to produce an instrument that will have the same public acceptability in the capital markets as the GNMA security instrument does now.

According to a March 4, 1982 news release from HUD, new issues of privately insured conventional pass-through securities showed increased investor acceptance because of improved market conditions and an increase in tax-exempt mortgage bonds. At the end of 1981, the outstanding balance of privately insured conventional loan pass-through securities was $14.9 billion, up more than $6 billion from the end of 1980. These statistics are a positive indication of the capacity of the private sector to eventually assume GNMA's role. But it will take more time to guarantee that investors will accept a transition from a government commitment on a mortgage-backed security instrument to a private sector commitment on the same instrument. The future of mortgage credit availability will depend on how we handle this transition.

An adequate supply of affordable mortgage credit in the future is dependent upon an effective secondary market that facilitates investment from both traditional sources of mortgage finance such as thrift institutions, banks, and life insurance companies and non-traditional sources, such as retirement and pension funds, diversified corporations, investment trusts and credit unions. The federal government can best contribute to this development process by maintaining its commitment to the GNMA mortgage-backed securities program during this transitional period.

FHLMC Recapitalization Legislation

Pending before this Committee is H.R. 4787, a proposal by Federal Home Loan Mortgage Corporation to rewrite its Charter Act. The NATIONAL ASSOCIATION OF REALTORS® supports the concept of the FHLMC legislation. The Congress must recognize the increasing importance of the secondary mortgage markets, and, as the economy is changing the methods of operation of primary lenders, so must secondary lenders change.

We urge this Committee to begin as soon as possible a thorough examination of the issues that are raised by H.R. 4787. It is important that the secondary markets be as broad and varied as possible so as to best attract sufficient capital for housing and to best serve the primary markets.

FNMA and FHLMC Mortgage Participations

Section 512 of H.R. 5731 restricts the ability of FNMA and FHLMC to purchase partial amounts (known as participations) of mortgages that exceed their statutory ceilings for mortgage purchases. We will suggest that, during this most difficult time for both housing and primary residential lenders, the Congress not act to restrict the ongoing activities of FNMA and FHLMC. The dynamics of housing finance has changed greatly since the creation of FHLMC and FNMA and we feel it appropriate for these institutions to be able to purchase participations up to their statutory mortgage ceilings.

FHA 203(b) Amendments

H.R. 5731 would authorize a fiscal year '83 Federal Housing Administration (FHA) unsubsidized mortgage insurance activity level of $40 billion. While that figure is less than last year's figure, it is higher than the $35 billion proposed by the Administration.

The NATIONAL ASSOCIATION OF REALTORS® supports the unsubsidized FHA mortgage insurance program. The non-subsidized FHA programs have operated since their inception as actuarially sound, user-fee supported programs that have helped to deliver affordable mortgage finance to homebuyers. Rather than providing a subsidy to these homebuyers, FHA assists individuals to compete in credit markets with large corporate borrowers.

The Administration has proposed limiting the use of FHA insured mortgages to first-time homeowners or those areas which are not served by private mortgage insurers. The FHA, which facilitates a working partnership between government and private enterprise, has successfully delivered housing and mortgage finance to American families for nearly fifty years. It should not be altered during this period of depression in the housing industry.

Since HUD's legislative proposals have not yet been formally presented to the Congress, it is difficult for us to comment on their plans for FHA in fiscal year '83. As soon as we see this legislative language, we will analyze it and convey our thoughts to the Committee.

MULTIFAMILY HOUSING PRODUCTION

The staggering long-term costs associated with federal housing program, particularly those related to the Section 8 construction program has finally, and appropriately, seized everyone's attention. At this point two proposals, radically divergent in their approaches, are under consideration. The Administration wants to shift the emphasis to existing units, while the majority of this Subcommittee proposes a production program -- albeit with substantial programmatic changes predicated on the assumption that federal costs should be contained.

The Administration will propose terminating the Section 8 construction program and purging the pipeline of unfulfilled commitments, despite potential legal problems. In relying completely on the use of existing rental housing stock, the Administration would essentially ignore acute shortages in low-income rental housing in many areas of the country.

This Subcommittee's bill proposes the "Rental Housing Production and Rehabilitation Act," describing it as an Urban Development Act Grant approach to multi-family housing production. Federal assistance would be used to leverage financing rental projects in conjunction with state and local governments taking a prominent role in determining rental housing needs, design and location.

One of the strengths of the Subcommittee's proposal is greater flexibility in using federal assistance. Another strength is the potential for developing a closer partnership between state and local housing agencies, builders, and the federal government. Cost-saving innovations in designing and financing low-income multifamily housing should be encouraged by this Subcommittee proposal.

Conceivably, construction financing under the provisions of the this proposal could be linked with the low-income housing and multifamily housing rehabilitation provisions of the current tax law which incorporates the Economic Recovery Tax Act. The attractiveness of multifamily rental housing as an investment is now significantly enhanced. The accelerated Cost Recovery System (ACRS) accorded to

low-income housing and other real estate and the 60-month amortization of expenditures to rehabilitate low-income housing are substantial incentives to multifamily investment. We would, therefore, advocate considering what is already available to stimulate rental housing construction in conjunction with the low-income housing program proposed in this Subcommittee's bill.

LOW-INCOME HOUSING ASSISTANCE

One harsh reality that we must accept is that low-income families and the elderly are often in need of low-cost housing. Even in this country, still the most affluent in the world, there are those who will always need assistance in meeting their shelter needs.

The Administration will propose modifying the Section 8 Existing Housing program to establish a low-income housing certificate, or voucher plan. Our Association has not endorsed housing vouchers, preferring to await the description of just how such a program might work.

Proponents of housing vouchers maintain that such a system would make significant short-term cost savings in federal housing assistance. While there may be a developing consensus that federal housing assistance needs reform, we wonder whether a voucher program will actually serve that purpose in the long run, particularly if new construction is abruptly halted.

From what we know of the Administration's housing voucher plan, it appears to be more an embryonic income assistance plan than simply a new housing policy. If this is the case, significant policy implications are involved, which our membership will need to address after the full proposal is available for analysis.

I will be pleased to respond to any questions you may have. Thank you.

REALTOR®

Julio S. Laguarta, President
Jack Carlson, Executive Vice President

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Attached are suggested policy proposals of the NATIONAL ASSOCIATION OF REALTORS® to energize the housing industry. Though not finalized, they represent a start at solving the current housing crisis, with a real effort to avoid any new Federal spending or tax expenditures of significance.

The NATIONAL ASSOCIATION OF REALTORS® is comprised of more than 1,806 local boards of REALTORS® located in every state of the Union, the District of Columbia, and Puerto Rico. Combined membership of these boards is nearly 700,000 persons actively engaged in sales, brokerage, management, counselling, and appraisal of residential, commerical, industrial, recreational and farm real estate. The activities of the Association's membership involve all aspects of the real estate industry, such as mortgage banking, home building, and commercial and residential real estate development, including development, construction and sales of condominiums. The Association has the largest membership of any association in the United States concerned with all facets of the real estate industry.

Elected Officers are: President Julio S. Laguarta, Houston, Texas; President-elect Harley W. Snyder, Valparaiso, Indiana; First Vice President Donald H. Treadwell, Sr., Southgate, Michigan; Treasurer Budd Krones, Tucson, Arizona.

The Chief Administrative Officer is Jack Carlson, Executive Vice President and Chief Economist.

The Senior Vice President, Government Affairs is Albert E. Abrahams and the Vice President and Legislative Counsel, Government Affairs is Gil Thurm.

Headquarters of the Association are at 430 North Michigan Avenue, Chicago, Illinois 60611. The Washington Office is located at 777 14th Street, N.W., Washington, D.C. 20005. Telephone 202/383-1000.

NATIONAL ASSOCIATION OF REALTORS®
HOUSING PROPOSALS

America's Housing Industry is in a Depression:

- The current slump in home sales is five times worse than at any time in the post-war period . . .

- Economic activity associated with housing construction and sales which has been lost in the last three years amounts to almost $200 billion . . .

- Over two million housing and related jobs have been lost since 1980 . . .

- Only five percent of non-home owners can qualify for an 80 percent mortgage on a median-priced home, and lenders have effectively shut the window on mortgage lending activity . . . .

SUMMARY

The NATIONAL ASSOCIATION OF REALTORS® recommends consideration be given the following:

- Provide administrative and legislative changes to the Mortgage Revenue Bond program to increase the number of bonds that can be issued and make mortgages provided by the bonds more widely available. Necessary administrative changes would be to increase the number of areas nationwide that are targeted areas or areas of chronic economic distress and make minor revisions in the arbitrage limitation in order to increase bond security. Legislative changes would increase, through 1982, the price of homes that can be financed under this program, increase the total amount of mortgage bonds that can be issued, and increase the arbitrage limitation to 1.25%. 500,000 families could achieve homeownership under this program within one year of the date these changes are adopted.

- Allow first-time homebuyers a credit against Federal income taxes of up to $5400 on the purchase of a home between March 1 and December 31, 1982. The result would be that more than 250,000 first-time homebuyers, who would not otherwise have been able to afford a home, could purchase a home in 1982.

- Allow mortgage lenders a credit against Federal income taxes of up to $5400 if they make home mortgage loans during the period March-December 1982. In order to qualify for the credit, lenders would be required to use the amount of the credit to decrease the effective rate of interest on the mortgage by three percentage points for a three-year period. The result would be that homebuyers could more easily qualify for the loan at the reduced rate of interest and, more importantly, could afford monthly principal and interest payments on such a mortgage.

<u>The means of recovery are at hand if Congress and the Administration will act</u>:

On the statute books is the Mortgage Revenue Bond Tax Act of 1980, which expires December 31, 1983. With the correct stimulus from administrative and legislative changes, it could provide a basis for recovery before the end of 1982.

PROPOSAL NUMBER 1: MORTGAGE REVENUE BOND TAX ACT OF 1980: ADMINISTRATIVE CHANGES

First, based on a reading of the last year of experience with this program, two things are clear: while mortgage bond activity in 1981 was slow (totalling less than $6.5 billion out of a potential $15-20 billion) technical changes made by IRS in the last weeks of 1981 resulted in a surge of bond activity, as restraints on the program were relaxed somewhat. Those changes by IRS accounted for about 55 percent of total bond offerings being made in the last months of 1981.

Second, according to the Council of State Housing Agencies, further administrative changes could generate an additional $7-8 billion in bond activity within the next six weeks and a further $2-3 billion by June 1982 if the following changes are made in the program by the Administration:

- Increase the number of standard metropolitan statistical areas which are in "chronic economic distress" or targeted areas. In such areas, homes valued at 110% of the average sales price would qualify for the tax-exempt bonds. In non-chronic distress areas, homes qualify at or under 90 percent of the average sales price. This change has two practical effects. First more homes qualify for the program, and more families with moderate incomes qualify, thus strengthening the loans made and accordingly strengthening the quality of the bond offering.

- Delete the provision in section 6a.103A-2(b)(5) of the mortgage bond regulations that limits to 20% the population of a State that can be considered to live in targeted areas. If this were done, many more areas could be designated as targeted areas, thus increasing to 110% from 90% the average purchase price of a home that can be financed under the bond program. The function of the Federal government under the Mortgage Bond Act, is simply to approve or disapprove areas selected by a State as areas of chronic economic distress, based upon criteria set forth in the Act. If more than 20% of a States's population lives in areas of chronic economic distress according to these criteria, the Federal government should approve the designation and not artificially limit such areas by regulation.

- In order to remove resistance from state and municipal housing agencies, the following changes should be made with respect to arbitrage provisions of the Act in order to effectively raise the arbitrage rate:

    1. Allow issuers to charge a 1% refundable origination fee, payable by mortgage holders, to protect the issuer against loss in the loan acquisition period subsequent to the issuance of the bonds. Assuming that the bond proceeds may

be temporarily invested at 12% (the bond yield being 14%), on a $100 million issue the issuer would sustain a $500,000 loss during the loan acquisition period assuming the mortgage loans are made evenly over the 12-month period immediately following issuance of the bonds. We would propose that any such origination funds not used be considered arbitrage earning to be refunded to borrowers under current law.

2. Allow prepayment penalties collected during the first six years of a bond issue to be excluded from the calculation of bond yield. This would provide security against earlier than anticipated prepayment of loans, but would only reimburse the issuer for the original cost of issuance.

3. Allow issuers to retain arbitrage profits, rather than rebate them to the federal government, in any case where the rebate would reduce the amount held by the issuer to less than 2 percent of bonds outstanding. This is a security feature in that it protects the issuer against loss in the event that losses accumulate shortly after arbitrage profits have been rebated.

4. Allow arbitrage profits to be used to pay for unamortized costs of issuance on bonds called because of prepayments, but only to the extent such costs are not covered by a prepayment penalty.

RECOMMENDED LEGISLATIVE CHANGES IN THE MORTGAGE BOND PROGRAM

Once these changes are in place, the bond program will be moving further ahead, and will make it easier for Congress--if pushed by the Administration--to make further necessary changes. Specifically, the following changes are recommended for inclusion in legislation:

- Raise the qualifying limit (until January 1, 1983) from 90 to 110 percent of the average sales price in non-targeted areas, thus qualifying more homes for financing with revenue bonds and increasing the number of moderate income families who can acquire such financing.

- Increase to $400 million from $200 million the aggregate amount of bonds that can be issued by any state during any calendar year.

- Increase the arbitrage limit to at least 1.25% from 1%. The current limit is simply too low to allow issuers to recoup the costs of issuing the bonds and administering the program.

- Modify the current requirement that 20% of a multi-family housing project be occupied for the duration of the bond issuance by persons of low or moderate income so that this requirement extends only 10 years from the date the project is first occupied. In many cases, this requirement cannot be met for the duration of the bond issuance because of increasing costs as a building becomes older and because of changing neighborhoods.

By adopting these administrative and legislative changes and thereby removing current impediments to the issuance of mortgage bonds, an additional 500,000 families could achieve homeownership within one year.

Where's the Money Coming From?

When the Mortgage Revenue Bond Program was authorized, Treasury cost estimates were placed at $15-20 billion. To date, $6.5 billion has been "consumed", leaving $9-14 billion available. No additional funds would be required for full implementation of the above recommended regulatory and legislative changes.

THE KEY TO ACHIEVING A SUCCESSFUL STIMULUS OF THE HOUSING INDUSTRY IS TO BUILD ON A PROGRAM THAT IS ON THE SHELF, AND NOT TO START FROM SCRATCH. CURRENTLY, CONGRESS IS IN CONFERENCE ON LEGISLATION, H.R. 4717, THE MISCELLANEOUS REVENUE ACT OF 1981, WHICH CONTAINS CHANGES TO THE MORTGAGE BOND PROGRAM. THIS CONFERENCE COULD PROVIDE THE CONTEXT OF ENACTING THE LEGISLATIVE CHANGES ABOVE.

PROPOSAL NUMBER 2: TAX CREDIT FOR FIRST TIME HOMEBUYERS

The NATIONAL ASSOCIATION OF REALTORS® proposes that first-time homebuyers be entitled to a credit against Federal income taxes on the purchase of a home from March 1, 1982 to December 31, 1982. The result would be that more than 250,000 first-time homebuyers could purchase a home this year.

Essential Elements of the Proposal Are:

- The credit would be equal to 9 percent of the amount of the first trust mortgage (up to a maximum credit of $5400) on the home originated on or after March 1, 1982.

- The purchaser, in order to have the credit immediately available for downpayment purposes or to "buy-down" the interest rate on the mortgage, could claim the credit against taxes due or paid in the preceding three years by filing amended tax returns for those years or it could be used to offset taxes due for 1982.

- A first-time homebuyer would be defined as an individual who has not owned a home in the preceding three-year period.

Where's the Money Coming From?

Much, if not all, of the cost of such a program could be recouped through a curtailment of the existing All-Savers program as of March 31, 1982, instead of its current ending date of December 31, 1982.

Revenue loss estimates for the All-Savers program, at the time of enactment, were $3.3 billion. As of this date, some $700 million of that amount has been "consumed" by the issuance of All-Savers Certificates, leaving $2.6 billion unused by the program. Current estimates are that the program will not be significantly expanded between now and March 31.

By curtailing the All-Savers program as of March 31, and transferring the remaining unused revenues, some 500,000 first-time homebuyers could obtain the maximum tax credit without further impacting the estimated deficit. By requiring recapture of the credit for homes sold within three years, revenues would be generated which would provide an additional 100,000 first-time homebuyers the maximum credit. Further, because not every first-time homebuyer will purchase a home with the maximum allowable mortgage amount, revenue losses will not total the absolute maximum projected.

MAXIMUM REVENUE LOSS FROM TAX CREDIT TO FIRST TIME HOMEBUYERS

	TOTAL	LAST HALF FY '82	1st QTR FY '83	REMAINDER OF FY '83-FY '85
Projected Qualifying Sales	700,000	450,000	250,000	0
Maximum Revenue Loss (in billions)	\$3.78	\$2.43	\$1.35	\$0
Recapture (in billions)	0.38	0.12	0.12	0.14
Net Loss (in billions)	3.40	2.31	1.23	(.14)
Offset through curtailment of All-Savers program	2.61	1.74	0.87	0
Net Revenue Loss (in billions)	0.79	0.57	0.36	(.14)
Revenue Gain From Additional Home Sales and Employment	1.40	0.90	0.50	0
Revenue Gain From Tax Credit As Substitute For All-Savers Certificates and With Improved Home Sales and Employment	0.61	0.33	0.14	0.14

Advantages of this proposal are:

1. Provides direct benefit to every first-time homebuyer who purchases a home during the period March-December 1982.

2. Allows the homebuyer immediate access to the benefit by allowing the credit to be carried back to 1981 and 1980 taxes rather than forcing the homebuyer to wait and receive the benefit when 1982 tax returns are due.

3. Gives the homebuyer the option to use the tax credit as part of the downpayment on the home or to "buy-down" the interest rate on the mortgage.

4. Applicable to home purchases involving both institutional and non-institutional lenders. This is important because over 70% of home sales currently involve non-institutional or "creative" financing. The tax credit program should not discriminate against any type of financing.

5. Benefits both the new and existing home market. A first-time homebuyer could choose to purchase new or existing homes under the proposal. Both purchases create jobs. An existing homesale stimulates fix-up purchases and jobs; services at the time of transfer; and remodeling or purchases of appliances, drapes and carpets after the purchase. New homesales stimulate construction jobs and purchases of durable goods. First-time homeowners typically buy existing homes but the ripple effect would result in new home sales initially stimulated by the purchase of the existing home.

The following table shows how the tax credit would be computed for various mortgage amounts.

TAX CREDIT AVAILABLE TO FIRST-TIME HOMEBUYERS ACCORDING TO MORTGAGE AMOUNT

Mortgage Amount	Tax Credit
$20,000	$1,800
30,000	2,700
40,000	3,600
50,000	4,500
60,000	5,400

Homebuyers would benefit because the credit could be used to increase the downpayment or reduce the effective interest paid as the result of a "buy-down" of the rate with the lending institution. The following tables illustrate the reduction in monthly mortgage payments that could be possible if the credit were so used.

POSSIBLE REDUCTIONS IN MONTHLY MORTGAGE PRINCIPAL AND INTEREST PAYMENT ASSUMING TAX CREDIT IS USED TO INCREASE DOWNPAYMENT

($60,000 MORTGAGE, 30 YEARS)

INTEREST RATES	AMOUNT OF TAX CREDIT AVAILABLE	MONTHLY PRINCIPAL AND MORTGAGE INTEREST PAYMENT WITHOUT CREDIT	MONTHLY MORTGAGE PRINCIPAL AND INTEREST PAYMENT IF CREDIT IS USED TO INCREASE DOWNPAYMENT	MONTHLY DOLLAR SAVINGS IN PRINCIPAL AND INTEREST PAYMENTS	YEARLY DOLLAR SAVINGS ON PRINCIPAL AND INTEREST PAYMENTS
17%	$5400	$855	$778	$77	$924
16	5400	806	734	72	864
15	5400	758	690	68	816

POSSIBLE DOLLAR SAVINGS TO HOMEBUYER IF TAX CREDIT WERE USED TO "BUY DOWN" INTEREST RATE FOR THREE YEARS

($60,000 MORTGAGE, 30 YEARS)

INTEREST RATE	TAX CREDIT	MONTHLY MORTGAGE PRINCIPAL AND INTEREST PAYMENT WITHOUT BUYDOWN	MONTHLY MORTGAGE PRINCIPAL AND INTEREST PAYMENT FOR THREE YEARS WITH THREE PERCENT BUYDOWN OF RATE	DOLLAR SAVINGS PER MONTH	DOLLAR SAVINGS PER YEAR
17%	$5400	$855	$710	$145	$1740
16	5400	806	663	143	1716
15	5400	758	617	141	1692

PROPOSAL NUMBER 3: TAX CREDIT FOR MORTGAGE LENDERS

The NATIONAL ASSOCIATION OF REALTORS® proposes that mortgage lenders be entitled to a tax credit if they make home mortgage loans to first-time homebuyers during the period of March through December 1982. In order to qualify for the credit, lenders would be required to use the amount of the credit to decrease the effective rate of interest on the mortgage by three percentage points for a three-year period. The result would be that homebuyers could more easily qualify for the loan at the reduced rate of interest and, more importantly, could afford monthly principal and interest payments on such a mortgage.

ESSENTIAL ELEMENTS OF THE PROPOSAL:

- The credit would be calculated based upon the amount necessary (up to $5,400) to reduce the effective interest rate on the first $60,000 principal amount of the mortgage by three percentage points for a three-year period. This would greatly reduce revenue losses as the Administration's interest rate targets are achieved.

- To help assure that the entire benefit of the reduction in effective rates is passed on to consumers, the credit would be determined based upon the amount necessary to reduce market rates by the required percentage rather than the mortgage in question. The market rate would be the published FHA average first trust mortgage rate.

- The credit could be carried-back and carried forward by the lender under current investment tax credit rules. In addition, although the total amount of the credit would be determined at the time the loan was made, the lender would be required to use the credit against income over a three-year period, the same period during which the interest rate on the mortgage was reduced. Thus, one third of the credit could be used each year.

Below is the projected revenue loss from this tax credit proposal. It should be noted that two-thirds of the loss fall within FY 1982.

MAXIMUM REVENUE LOSS FROM TAX CREDIT TO FINANCIAL INSTITUTIONS

	Total	FY 82	FY 83 1st Qtr	Remainder FY 83–FY 84	FY 85
Projected Qualifying Sales	700,000	450,000	250,000	0	0
Maximum Revenue loss (in billions)	3.78	.80	1.25	1.25	.48
Recapture (in billions)	.38	.12	.12	.10	.04
Net loss (in billions)	3.40	.68	1.13	1.15	.44
Offset through curtailment of All-Savers program	2.61	1.74	.87	0	0
Net loss with All Savers Certificates	0.79	(1.06)	0.26	1.15	0.44
Gain in tax receipts from resulting higher employment, sales and income	1.40	0.90	0.50	0	0
Net revenue gains	0.61	1.96	0.24	(1.15)	(0.44)

The following tables show how the credit would be calculated on a $60,000 mortgage at various levels and the dollar savings to homebuyers.

POSSIBLE DOLLAR SAVINGS TO HOMEBUYER ON MONTHLY MORTGAGE PAYMENT FOR PRINCIPAL AND INTEREST

MORTGAGE INTEREST RATE WITHOUT CREDIT	MORTGAGE INTEREST RATE WITH CREDIT	MONTHLY PAYMENT FOR PRINCIPAL AND INTEREST WITHOUT CREDIT	MONTHLY PAYMENT FOR PRINCIPAL AND INTEREST WITH CREDIT	DOLLAR SAVINGS PER MONTH	DOLLAR SAVINGS PER YEAR
17%	14%	$855	$710	$145	$1740
16	13	806	663	143	1716
15	12	758	617	141	1692

The advantages of this proposal are:

1. **Provides an immediate direct benefit to every first-time homebuyer who purchases a home during the period March-December 1982.**

2. **Allows the homebuyer to immediately receive the benefit of the credit through reduced monthly payments.**

3. **Allows more first-time homebuyers to qualify for a mortgage on a home and makes the homebuyer better able to meet the monthly principal and interest.**

4. **Applicable to any mortgage lender providing a mortgage on a home. In this way this proposal does not discriminate against non-institutional lenders. This so-called people-to-people financing is involved in over 70% of home sales in the current market.**

5. **Benefits both the new and existing home market. Homebuyers could choose to purchase new or existing homes under the proposal. New home sales would be particularly stimulated because owners of existing homes, who are ready to improve their housing, will be able to find buyers for their homes and will therefore be able to purchase new homes.**

Chairman GONZALEZ. Thank you very much, Mr. Laguarta.

We will proceed under the 5-minute rule. I have one question for Mr. Gourley, and I am going to ask unanimous consent to permit me to submit in writing possibly three additional questions that I do not think I should take the time for now, but would serve the same purpose by submitting them in writing.

The following written questions were submitted by Chairman Gonzalez to Mr. Gourley and Mr. Napolitano, and appear with their responses:

QUESTION SUBMITTED TO MR. GOURLEY

Question. You stated with regard to the committee's proposed emergency homeowners relief program that you are concerned that the efficient operation of the program could well be beyond HUD's current capability.

If HUD should not administer this program, who should?

Answer. The only recommendation we can offer in this respect is to permit HUD to contract with a private company to perform the services required, if the program is enacted. We based our comments upon the Department's 2-year effort to implement the Temporary Mortgage Assistance Payments program that, as you are aware, concerns only FHA-insured borrowers, the difficulties in implementing a program involving conventional loan borrowers would be greater. And substantial delay in putting the proposed assistance program into effect would defeat the purpose of the program.

QUESTIONS SUBMITTED TO MR. NAPOLITANO

Question 1. While I am intrigued by the growing equity feature outlined in your single-family housing construction program, I wonder how receptive lenders would be to the "GEM" idea. Are any lenders presently issuing "GEM" mortgages?

Answer. Lenders have been concerned with fixed payment mortgages because in periods of inflation their values erode. A GEM mortgage provides earlier cash flow and funds can be reinvested, perhaps at higher interest rates.

Question 2. Given the limited amount of Federal funds available to stimulate housing construction, how could we justify subsidizing the interest rate low enough so a family could afford a "GEM" payment in addition to the subsidized interest rate payment?

Answer. Under the program, interest rates will be bought down for five years. At the end of five years, monthly mortgage payments will include interest payments at the full rate contracted in the loan.

Under the GEM plan, the amount of the buyer's monthly payments will increase 0.75 percent annually of the original principal obligation. This increase serves two important functions. First, the buyer is not faced with a large increase in his monthly payments at the end of 5 years but instead is gradually—by an annual increase in his payments—brought up to the higher level of responsibility. Second, all of the increased amount which the buyer pays over that 5 years is applied to the principal obligation of the loan which will significantly increase his equity in the property.

Chairman GONZALEZ. The question I have—in your discussion of the administration's proposal to collect the FHA mortgage insurance premiums in a lump sum, up-front payment—you, I believe, stated that MBA would oppose any proposal that would increase monthly payments beyond a minimal amount.

Do you have an idea of what the association would consider to be a maximum increase that would be acceptable? The reason that I am asking that is that, if the committee went along with that proposal, should we consider putting a cap upon the increase?

So I wonder if you have any idea of limits?

Mr. NAPOLITANO. Clearly, Mr. Chairman, in looking at the issue of the payment of that MIP for the one-time payment, a lot of questions are raised. And exactly how it would be handled—some of us are a little uncomfortable with that, we are not real sure.

We want to be sure that it does not increase the cost of the monthly payments for the individual borrower, and I think that that would be basically the answer. We do not want it to increase the cost, period.

An acceptable level, really, is one that would not increase the cost because of two things: First, it cannot and must not increase the downpayment cost. The practicality of including it in the mortgage amount is one that is related to a valuation question, also, that says that, if you do put it into the mortgage, that it is possible to have a loan that is more than 100 percent of the current value.

So, that is sort of a touchy issue, as to exactly how to structure it so that it does not have too much risk, and it does not cost any more to the borrower up front, and does not cost the borrower any additional monthly payment.

Chairman GONZALEZ. Thank you, very much. I was going to ask, but I think this is not the time, but I would like to ask both Mr. Laguarta and Mr. Napolitano, to consider how we might get support on the bill we have.

It has been very carefully structured to meet all of the budgetary requisites, which you know, last year was a big hangup. And we do need some consensus here of support for, if not all of it, at least major portions of the bill.

And the only thing I understand that, Mr. Napolitano, you are going to see the President later this week, and you know, I do not really know the President. I never met him. And he is not a very accessible President. He is the only President in the 20 years that I have been here, which means six Presidents, that does not answer the mail from a Congressman, directly. He delegates it to a liaison. So we have been corresponding through aides.

When he corresponds with his aide, well then, I answer with my aide, and that is a fact. And to me, that means that men like you can do a great deal.

My judgment, like I say, is not based upon a personal knowledge of the man. But I find that a lot of times it is a basic philosophy. In other words, what has come loud and clear, since last year, and what your organizations either did not see, or did not want to say it, was that, philosophically, the men shaping the judgments which lead to the decisions by the President are of the opinion that the housing sector in America has too much credit diverted to it.

If there was some way that you could dispel, or help to dispel that philosophy, I think that would go a long way. Because, generally, the specific actions follow a general conclusion, based upon some half-philosophic, half-evaluative judgment, which after the testimony, and after our experiences, clearly indicate that it is wrong.

In other words, we cannot say that one of the things, in order to bring the country into fiscal balance, or stability, or integrity, is to take away, or further divert, even that allocation of credit to housing that we have had.

And it would seem to me that your visit can do us a lot of good, this coming Friday. So, I wish you well.

Mr. NAPOLITANO. Thank you, sir.

Chairman GONZALEZ. Mr. Stanton?

Mr. STANTON. Thank you very much, Mr. Chairman. And we all regret, Mr. Chairman, that you have never had the opportunity to meet the President. He throws receptions down there every year, you know, and a Christmas party, and it is a people's house down there, and I am sure that he would be most happy to see you.

Chairman GONZALEZ. Well, I don't want my comments interpreted as condemning President Reagan—but the nearest that I have come to him was about 30 years ago, when he came to San Antonio on behalf of General Electric. He was on the lecture circuit. He spoke before the local Optimist Club, and I was then a fellow guest of the Optimist Club, but I did not even get to meet him then.

But, I really have not had that opportunity. I think there was an invitation during the Christmas break, and I think that we were all back home. But I am not saying this critically, or facetiously, because every President has his own individual approach. Lyndon Johnson was the most accessible public official anywhere, even as President.

But, President Carter was even less accessible, as a matter of fact. The first 3 years of President Carter's regime, he was just about as inaccessible. And so, I am not saying this critically, and I would like nothing better than to meet the President, but perhaps the time will come when an opportunity will be there.

But, on this subject matter, I really think that men like Mr. Napolitano, who is in a leadership position, and coming from an area that is having serious problems, could have an enormous impact in his meeting with the President.

And I think that you will agree with me, that, if the President leans heavily, say on a man like Mr. Stockman, and his judgment has been clearly expressed that too much allocation of credit has gone to the housing sector, then I think that it is imperative that the President has a chance to meet a man that comes from the citizenry, and is in a leadership, spokesman position, and can document the opposite position.

Mr. Stanton, someday maybe you can introduce me to the President. You have access do you not?

Mr. STANTON. Well, only in a business format, with one exception. Now, there is a lunch tomorrow, noon, but that has nothing to do with partisan political considerations.

The problem might be, Mr. Chairman, that you are only part Irish. [Laughter.]

There your trouble lies. The part of you that is Irish, loves to smell upon a rose, until you remember with its fragrance, the thorn. So the part of you that is Irish, keep your smell upon a still, never let us wait dreaming, until death beckons from a hill. That good wish to you Mr. Chairman, a day early.

Chairman GONZALEZ. My only claim to Irish, is the smoked Irish variety and I will translate that into Spanish, your version.

Mr. STANTON. Well, we got off the subject did we not? [Laughter.]

Gentlemen, I appreciate your testimony. And Mr. Gourley, your testimony, in fact, all of you, your testimony could be broken up into two parts. One, addressing the problems of subsidized housing industry, per se. The other, for which this committee has the responsibility, and in addition to that, the overriding problem of your membership, involves the economy of the country, either with the selling of homes, or the building of new ones.

Three of you are interrelated with the savings and loan industry. You took advantage of your testimony on the one hand, in one case I saw, to give your thoughts concerning the all savers bill.

My question is this, First of all, do you think that you can realistically address the problems of housing without addressing the problems of the savings and loan industry?

Do you think that you can separate those two? Maybe Mr. Gourley, you could answer?

Mr. GOURLEY. Well, when you talk about separating the two, certainly the problems of the savings and loan industry are significant. And if they were to be the only source of funds for housing, then that obviously is something that must be solved. And if they are ever really to get back into the housing business, their problems have to be solved.

Their problems have to be solved, because that is critical to the whole economy. But there are other sources of funds for housing and the things that we speak to, and the reason we keep harping on the subject of Ginnie Mae mortgage-backed securities—is that 10 years ago it opened up a new group of investors, that have made it possible for us to make loans through the years, even though the S. & L.'s, even before the major current problems, had become less of a factor in the long-term national secondary market. We were able to market these instruments throughout the country to pension funds and other type buyers.

We are looking at a concern, and one that must be handled, that we do not kill this particular opportunity to put mortgages in the pools. We are looking over our one side as an answer or as a must, while we try on the other side to solve the problems of the savings and loan industry. So there are funds out there that are not in the thrifts that can be attracted to mortgages. We do not want to kill those, by cutting the GNMA limit down, so that we can not get to those funds.

That does not answer your question, but they are two separate issues.

Mr. NAPOLITANO. Can I add to that, by saying that we would like to see the savings and loans viable and we would like to see them doing what they were originally formed to do: supply mortgage money to the American people, at a reasonable rate. Obviously, they are having many problems, the whole economy is upside down, with the Merrill Lynch's and the Sears and the money markets and so forth. It is a whole new ball game out there.

Now, some of the problems—and I am no expert on it—but some of the problems that they may have, they brought on themselves. Some others had no choice. There was the matter of the economy and what happened with the attitude of the American people and the Government and what has happened to them.

So, if savings and loans can be viable and if they can supply mortgage funds, we are all for saving them, doing whatever can be done. However, I do not believe that if you eliminate the savings and loans that you eliminate housing. Because as Mr. Gourley just mentioned, we have other sources that will supply funds. The pension funds have tremendous amounts of money out there, as we begin to get into that, and open those funds up.

But if you eliminate the housing industry, the delivery system of housing, then there is no one else to take the place at that point. There is a tremendous difference between the housing industry and the savings and loans. You eliminate that industry and, God forbid that would ever happen, the Federal Government comes in and starts building houses in this country, which they would have to do, to take care of the need of the people of this country.

There is a major difference between the two of us.

Mr. GOURLEY. Congressman Stanton, one of the biggest problems, obviously is high interest rates. And one of the biggest problems there, obviously is the deficit. Something has to be happening to get interest rates down. Short-term interest rates coming down will be a major factor in helping the savings and loan industry and that is one of the issues that we have not mentioned as a part of this.

We have it in our written testimony—our concern for a reduced deficit that would help get interest rates down.

Mr. LAGUARTA. I believe your specific question, does the thrift industry, the survival of the thrift industry, is it essential to the housing industry?

Thrifts have been and we would hope that they would be in the future, instrumental in the housing industry. However, if the present programs that are being considered either from a regulatory standpoint or a legislative standpoint, give the thrifts the vehicle by which they become banks, and this legislation provides that, let us say, gives them the opportunity through this capital infusion program, to get over their current problems, and then their future is as a commercial bank, and not as an entity in the housing field, that is what concerns us.

And we believe that as my colleagues do, and have already stated that, there are other sources of funds but through this transition period here, if in fact, that is the way that the market will dictate, or the fact that the legislation will dictate that thrifts will

no longer be thrifts per se, and they will all be commercial banks, then fine.

But, during the transition period, let us recognize exactly what we are talking about. And just because they are called a savings or thrift institution, it looks to me like, they talk like, they walk like, they think like, they look like, and they act like, a bank, under some of these proposals.

Mr. STANTON. Thank you, very much, Mr. Chairman.

Chairman GONZALEZ. Thank you, Mr. Stanton. Mr. Fauntroy?

Mr. FAUNTROY. Thank you, Mr. Chairman. Mr. Napolitano, I understand that many section 8 developers are concerned about HUD's efforts to cut off the section 8 pipeline. And in your testimony, you mentioned that the expenses that project sponsors incur, prior to receiving permit commitments, would be unrecoverable, if the project drops out of the pipeline.

Could you give us some more specific examples of some case studies, if you will, of the expenses involved in developing an assisted housing project, prior to final closing, and receipt of a section 8 contract?

Mr. NAPOLITANO. I could not give it to you in detail at the moment, I could give you some generalities, and we would be happy to submit to you, in writing, some case histories and some factual figures.

We are talking about land options, engineering and architectural fees, fees that are put up front for some of the commitments that they thought that they would get at certain intervals, overhead expenses that had been used by the companies, that they felt that they would eventually be getting.

The assumption being that, since it went into the pipeline, it would eventually be coming out of the other end, which might take 1 year or 18 months down the road.

All of these type of expenses add up to a tremendous amount to a firm or an individual, who had expected that once it went into the pipeline, that something would be coming out. And they would have an opportunity to build these units.

The other problem with the section 8 is that many say that it is not viable, and it is not cost effective. That may or may not be the case. I am not here to debate that.

But, I believe that before we eliminate those, we had better have something else in place to house the people that would be housed by the section 8 type of program.

[In regard to the request of Congressman Fauntroy, the following letter, dated March 25, 1982, was received from the National Association of Home Builders:]

National Association of Home Builders
15th and M Streets, N.W., Washington, D.C. 20005
Telex 89-2600 (202) 822-0200

March 25, 1982

The Honorable Walter E. Fauntroy
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman:

In response to your request at the March 16th hearings on H.R.5731, I am providing the following information on Section 8 develoment costs.

The average per unit development cost for a Section 8 new construction unit is as follows according to an about to be released HUD study:

Total Improvements	$30,187
Land	1,584
Off-Site Costs	68
Construction Period	
Carrying Charges Including Interest, Insurance and Taxes	1,649
Program Financing & Filing Fees	1,287
Legal, Organizational & Audit	250
Other Costs	506
Profit	2,563
Total Costs	$38,094

On a per project basis, the development costs are as follows.

($1000s)

Total Improvement	$1,922	
Land	137	
Off-Site Costs	9	$225,000 per project development costs
Construction Period Carrying Charges Interest, Insurance, Taxes	89	
Program Financing & Filing Fees	80	
Legal, Organizational & Audit	12	
Other Costs	35	
Profit	113	
Total Costs	$2,397	

As you know, averages often hide circumstances commonly encountered. For example, architectural and engineering fees often mount to 4 or 5 percent of the construction amount. Land holding costs have been higher over the last two years than ever before in history. Average project development fees can range from $100,000 to $1 million, but are typically in the range of $200,000 to $300,000. These are the large sums referred to in the NAHB testimony that developers have invested in anticipation of getting financing as promised by the Administration.

I hope this information is helpful. Please do not hesitate to contact us for whatever information we can provide.

Sincerely,

Robert D Bannister
Senior Staff Vice President

Mr. FAUNTROY. Do you have any estimate of the number of outstanding section 235 commitments, that will expire in March? If Congress approves the extension of the program through the end of the fiscal year 1982, do you see any need to modify the reallocation process by statute?

Mr. NAPOLITANO. I do not know the figures. I think that HUD would be the only ones that would have those figures, as to how many are outstanding.

To the best of my knowledge, what they have been doing is moving them around to the various HUD offices, the regional offices, as they are not used. So, I have no idea at the present time. All I would say is that whatever is available should be used. And there are many people that could benefit from them.

Mr. FAUNTROY. The panel has suggested that we are immersed in the worst housing depression since the 1930's. And to be frank, I do not believe that any new construction stimulus could be operative in time to save this year's construction season. But, even if the impossible were achieved, and the authorizing legislation became law in June, do you not think that the more similar a new program is to existing programs the more easily it could be put in place?

And I ask that question because the subcommittee bill, which we are looking at now, proposes a modification of the section 235 program, which would assist families whose income does not exceed 130 percent of the area median, by subsidizing the interest rate down to 9½ percent for 10 years.

Would not that proposal provide your industry a faster shot in the arm? And does it not have the advantage of targeting assistance to moderate income home buyers?

Mr. NAPOLITANO. To answer your question—yes. The problem we see with that is whether there would be sufficient number of units. The problem we see with it as proposed is that we may be talking about 100,000 units or there abouts.

And that is a very small amount to do anything for the economy, the homebuilding industry, or the American public. In the buydown proposal that Mr. Patterson has proposed and Senator Lugar in the other House has proposed, is somewhere in the neighborhood of 450,000 units, depending on various alternatives to it.

Now, yes, I agree, as I mentioned in my testimony that unless you do something rapidly, by June, we will lose this season. But, if something is moving and it looks like both sides of the aisle and the administration would be behind it, and it is just a matter of timing to get it out, our industry—I can speak for the members of my industry—can gear up rapidly, and start building and get moving in this area.

And would spend the money at the front end to get the permits, to get ready, and to have the land ready to go, and then you would see some action. You would see some people back to work.

As long as we could see that it looked like it was moving, we would not have to wait until the last day to sign. Obviously, if there is controversy and the administration talks about vetoes or anything of that nature, then we have lost a whole year. There is no question about it.

Mr. FAUNTROY. Thank you, Mr. Chairman.

Chairman GONZALEZ. Thank you, Mr. Fauntroy. Ms. Roukema?

Ms. ROUKEMA. Thank you. I think that Mr. Napolitano, you have partially answered one of my questions concerning the fact that the section 235 program stimulation, as you, I think, have correctly pointed out, would not be as immediately effective, as some alternative proposals, in terms of countercyclical aid to the housing industry. It would be too late. It would take 2 years perhaps for the effects of that kind of help to be felt. Is that correct? Is that what you are agreeing to?

Mr. NAPOLITANO. Yes.

Ms. ROUKEMA. As opposed to a program that might promote the use of municipal tax-exempt revenue bonds which would have a more immediate effect on the housing industry. Is that correct?

Mr. NAPOLITANO. Yes. We are fostering revenue bonds. We believe that would be helpful. We believe in 235 also, with the recapture and the refinements that we have proposed also, last year.

We believe that is a viable program if it can be put through the Congress. From what I am able to gather speaking to people on the Hill, there is some concern about that. And if it is going to be a long, drawnout, controversial issue, we are saying that what is being proposed with the buy-down seems to be getting more support on both sides of the aisle.

I do not have any indication from the administration yet. As the chairman pointed out, we will be meeting with the President this week. And I would hope that after I present it to him also and some of his chief aides, that he will look on it very favorably as a means of getting people back to work again, and getting the economy moving.

And understanding that housing must lead the way out.

Ms. ROUKEMA. Well, there is a more general problem that has all of us confounded. I do not agree with the administration that too much money or capital or credit has been allocated to the housing industry. I have, for that reason, sponsored a concurrent resolution which expresses the sense of Congress in opposition to any change in mortgage interest rate deductions.

I, nevertheless, recognize the dilemma that you gentlemen are posing to us. Because on the one hand, you have agreed that the high interest rates are directly connected with the fiscal and monetary policy, specifically deficits, but you have presented us with the proposal here, that would urge significant increases in cost to the Government this year, and succeeding years, allocated to housing, of a rather substantial nature.

You are recommending billions above the administration proposal. The dilemma, of course, is for us to face those budget deficits and to decide on the priorities here. Where do you feel that you can scale back your reliance on the Federal program and consider that your ultimate real strength will be from the reduction in interest rates?

Mr. NAPOLITANO. I have been spending a considerable amount of time on the Hill, speaking to your colleagues and people in the administration. And I get a sense and a feeling right now, that there are people in the administration and in the Congress who have up until now, felt that housing has gotten too much of the share of the capital markets. I have figures right here—Federal Reserve fig-

ures—that say that housing's, actual share of the marketplace has gone down in the capital markets in the 1960's and 1970's.

It is not as high as it used to be. I believe that there are those who are on the Hill who are looking at this and looking at housing now, as a means of moving this economy. And I am a business person, and as a business person, I know as I just mentioned, even in the section 8 pipeline, you must spend money to make money.

And the Federal Government cannot take an idealistic position to let everything just go into the free market, and just let everybody be equal. That would have been fine, had the interest rates come down and had everything just worked according to the programs of everybody.

However, that is not happening. And the only way that you are going to stimulate the economy again, is to get housing moving again.

One of the Cabinet Secretaries I was with about 1 week ago, asked me how can I justify doing something for housing and not for other industries? By the time I got through talking about it, he was nodding his head and while he did not say yes to me, I believe that he agreed that you could make a tremendous argument for housing that you cannot make for any other industry in the country.

Not only for the ripple effect of putting people back to work, and for what it does throughout the economy, furniture people, appliance people, the whole bit, but also, as a basic necessity in this country, putting people in decent shelter. You cannot say that for any other industry in this country.

Others are disposable items. We do not import houses, we build them in this country, with American labor, with American materials. You cannot make that strong an argument for anyone else.

Therefore, I believe that we must spend some money. Now, the amounts we are talking about are not in the billions on a yearly basis. We are talking about on a buy-down program——

Ms. ROUKEMA. I am sorry, could you please explain what you mean by buy-down?

Mr. NAPOLITANO. The buy-down program that is in the bill that Mr. Patterson has and Mr. Lugar has. I thought that was what you were referring to. We are talking about $1 billion a year, the initial cost about a 5-year period. So, $5 billion for roughly 400,000 to 500,000 units that could be built.

But the Government would get a recapture, when the houses are sold or refinanced. So that money would come back to the Government for the most part. Plus you are putting roughly a half-million people back to work who are now unemployed just in the construction industry. And that relates to about $12 or $13 billion that the Federal Government will save in either getting an income, or in taxes, or they will save on unemployment insurance or in other benefits that go out.

So I see the Government making money and not losing money on these programs.

Ms. ROUKEMA. I yield to the ranking minority Member, Mr. Stanton.

Mr. STANTON. Marge, I appreciate your yielding. You did allude to the 235 program earlier. The chairman has had a bill in for several weeks now, that would extend the deadline for the assistance

of that program, which is set to expire on March 31, I think it is, to the end of this fiscal year.

This would be an extension of the program, which seems to be justified because of the weather in our area and other places. There would be no additional moneys for the program, just an extension.

He asked me to check on that, and we have not heard back from OMB. But as long as there is no additional money, I think that we should just go ahead and do it. I think it would be in keeping with what you are talking about earlier.

It would just make sense. So, we would support you on that.

Chairman GONZALEZ. I do appreciate that, more than I can tell you in words, because we are going to have to go on the suspension calendar. We feel the same way. There is no reason why it would be controversial, there is no money involved, no additional money of any kind. And it is the program that is working.

And so we are deeply grateful.

Mr. STANTON. Well, unless we get shot down by Mr. Stockman, now, you are from Texas, so you can bring your two guns.

Chairman GONZALEZ. You probably know Mr. Stockman, better than I do.

Mr. STANTON. Let us not get into that now. [Laughter.]

Chairman GONZALEZ. What I am saying is if this is the word that is being waited on, then we may be compelled to wait beyond the time that we have got to act.

But actually, there is no reason why from the OMB standpoint there should be objections. Because as I say, it does not involve any budgetary outlay of any additional kind. And we are asking that it be extended to the end of the fiscal year, September 30. So I deeply appreciate it.

And it is really something that we should get together over.

Ms. ROUKEMA. I have no further questions, unless any of the other gentlemen would like to speak to the subject.

[No response.]

Chairman GONZALEZ. Thank you. Mr. Patterson?

Mr. PATTERSON. Thank you, Mr. Chairman.

And Mr. Napolitano, I want to thank you for plugging my bill, which I think that you have done very ably this morning.

The bill I introduced yesterday has a number. It is H.R. 5834. It is called the Family Housing Production Act. And I particularly mention that for Mr. Gourley and Mr. Laguarta. Not that you could comment on it today.

But, I think that I concur in the testimony that each of you have given this morning and I have had other talks with you from time to time. You know that I am desperately concerned about resolving the housing problem of this country.

And that the matter is, in fact, in a state of emergency. And that that emergency, for whatever reason, we can talk about high interest rates, and the recession and whether the homebuilders will be building homes.

If they are not building them, who will? When interest rates do come down, whether mortgage lenders are going to be lending. Whether savings and loans and mutual savings banks are going to

be around to lend, or whether the need for survival will be at a higher level than the public interest of housing.

With that kind of background, the bill that I did introduce addresses the matter as an emergency. It provides up to 4-percent rate reduction for a period of 5 years. In the fifth year, the assistance would zero out. There would be no interest rate reduction beyond that time.

There would be an increase in payments each year which would be applied against the principal. So it is a GEM type of mortgage, a growing equity mortgage.

And it has a recapture provision, which would mean that the Government would receive the money back it put into it.

I frankly think that it has great potential. That it keeps us in the business, if you will, of building houses and making housing available to home buyers at a price that they can afford. If interest rates are going to be 16 percent, as most of the testimony has indicated—maybe dropping to 15 and then going back to 16 percent, throughout this year—I really question if we can keep the housing industry going into next year.

But, if my bill did pass, and we did subsidize interest rates down to say, 12 percent, a much broader horizon of people would qualify to buy those homes, this would stimulate the economy, put people back to work, keep the homebuilders building, keep the realtors selling homes, and allow the mortgage lenders to continue to lend.

I would ask any of my colleagues here, who want to cosponsor it, to see me at any time. I am seeking cosponsorship of the bill.

The question I would ask of you gentlemen is: Is there anything wrong with this kind of approach? Mr. Napolitano has testified in favor of it. Each of you have testified in favor of some programs and in opposition to others, but if there is anything that the administration has really got to hear, it is unanimity. Those need to hear that you, who are in the industry, stand behind policies that mean the same thing across the board.

You know, if we had the savings and loans and mutual savings banks here, we would literally have everybody involved that produces housing.

So Mr. Gourley or Mr. Laguarta, do you have any comments that you would like to make? Any questions that you would like to ask?

Mr. LAGUARTA. Congressman Patterson, we have not yet had an opportunity to research the bill. But we have had some advance warning of the general nature of the bill and, clearly, we believe that the bill addresses part of the problem, which is the emergency nature of the problem that the housing industry finds itself in. And particularly, deals with that problem of interest rates, which is keeping a large number of people out of the market place, keeping inventory on the shelf, keeping product from being produced.

I have had the same opportunity as Fred has had, to be before many of you, here in Washington, and people from the administration, also, and there seems to be no consensus, no clear cut line.

Most people in Congress recognize that there is a problem in housing. But there seems to be about as many solutions as to how to get at that problem as there are degrees on a compass.

And the one thing that we keep hearing, in our meetings with your colleagues, Congressman Patterson, is that there is this over-

riding, big, black cloud of the deficit that must be gotten at, that is hanging over the head of everyone.

And so, what we are hearing, is that spending programs, per se, are going to be doggone difficult to get through. And now, that is why we have targeted our programs into areas that do not get into heavily involved spending programs. And deal with support of the expansion of the mortgage bond, municipal bond program, which is already in the fiscal year 1982 or 1983 budget, which would also bring down interest rates, if in fact, you could clear out the arbitrage problems and the technical problems that are keeping the underwriter from getting at those.

From what we understand, a large number of units, could be then marketed which would be some of Mr. Napolitano's members products that are sitting there on the shelf, because the buyers would then avail themselves of the interest rates that are charged by the tax free aspects of the issuing authority, be that a housing group in a municipality or the city itself or the State or whatever it may be.

So, it is an approach that would get the interest rates down. Mortgage tax credit is another. A buy-down program is a third.

But clearly, that is the problem and it seems to be that everyone recognizes the problem, but nobody has a consensus as far as solutions are concerned. And I agree with you, that unless we are together, and come down on a program, we are not going to get an answer.

Chairman GONZALEZ. Will the gentleman yield on that point?

Mr. PATTERSON. Certainly.

Chairman GONZALEZ. The gentleman's time is up, but I did want to say this: You do have a consensus. This is the bill that we are calling a hearing on, H.R. 5731, at least on the majority side, which Mr. Patterson, himself, has approved. Because it is consistent with the fiscal and with the budgetary exigencies.

I am really urging support, as much as you can give, in order to seek that consensus, successfully applied in the legislative process.

It is always a time-consuming process, but time is of the essence at this point. And I think that this is the minimal. And it is a comprehensive bill.

It was crafted, after months of hearings, last year. And after weeks of actual drafting process, and always in the most intimate contact with the Budget Committee. And presented to my colleagues, at least on the majority side, because if we could not get consensus, why there was no use doing anything, on that basis.

So, that I am, again, imploring you gentlemen, to seriously consider this H.R. 5731 and see if you can give it your wholehearted approval. That is the best way, and Mr. Patterson is correct, that we are going to be able to stimulate support up here.

And I am sorry to have interjected, but since I did, Mr. Stanton?

Mr. STANTON. I apologize to the members for going out of turn, but you have commented that Mr. Patterson's time is up and that his proposal is not the best way.

I think that the realities of life, as I look at it, is that what you need is a stimulus in the homebuilding and real estate business that you can get started this spring. Now, am I wrong gentlemen?

Now, you start out with a program, with the chairman's program, your program, we will not get into the merits of such programs here. But, I do not think that you can confuse the legislative process, as I understand it, and the rest of it. Recognizing that there is some opposition along the way in the other body, or in this body, and take into consideration that it takes 5 to 6 months after you pass something around this place, to cross the t's and dot the i's and distribute it out through the bureaucracy for comments it would take 6 months at the minimum to develop regulations.

I do not think that we should kid ourselves about new housing programs starting from scratch at this time, in late spring of 1982, being onboard before a year from now.

I have been down that road so many times, with Brooks-Cranston and other programs. I have seen these things, and I sincerely hope that we are well on the way to recovery, before such things take place.

It just does not seem physically possible to do it. But, I think that there are suggestions that come about in which I go along with Mr. Patterson, that we could get together on such as in the bond market, and the implementations that can be done through the executive branch, regulations and so forth that can be a stimulus.

I had to make that statement, because there are other routes to do it.

Chairman GONZALEZ. But I still do not understand, because you are talking about some instant solution that does not entail this process that must start now.

Of course, we know that even if you cranked up the machine today, you could not get any results until October, but we do not have that.

I mean, what are we talking about then? We are talking about legislation. We know that unless the Congress performs a 1941 Act of War in 3 minutes, that we have to start sometime, and conceive of the greatest possibility of getting consensus on a minimal program as possible, which is what I think——

Mr. STANTON. Well, we have a lot of people waiting to ask questions here, so I do not want to infringe anymore on the time, but I just wanted to bring out one example.

I was just reading here that there is one means of recovery, if Congress and the administration will act, and that is the Mortgage Revenue Bond Tax Act of 1980, amendments to which are in conference.

Now, I just think that there are things that we could explore and look at, Mr. Chairman. And that is what I had in mind. But I have taken up an awful lot of time.

Mr. PATTERSON. Mr. Chairman, I realize that my time has expired, but I just wanted to throw a little bit into the conversation here, that the bill is a $5 billion bill; $1 billion per year, it would return approximately $5.6 billion in revenues to Federal, State, and local treasuries. And that is not to mention the fact that the assistance is all recaptured when each home is sold.

So it is a stimulus bill. It would be a spending bill and it would cost money this year, but I think that it would return to the Treasury as well. Thank you.

Chairman GONZALEZ. Thank you, and we apologize to the other members. Mr. Wortley?

Mr. WORTLEY. Thank you, Mr. Chairman.

H.R. 5731 authorizes about $3.5 billion for section 235 homeowners program to provide subsidies to reduce the mortgage interest rate, down to 9½ percent.

If I understood you, Mr. Napolitano, you were supporting that, correct?

Mr. NAPOLITANO. Yes, we are supporting that concept, providing that is not the only thing that we come out with. If we come out with just section 235 on that basis, I believe that, first of all, it is going to be a long battle to get it through, because of the dollars involved, and it is not going to produce enough units to make it viable.

Mr. WORTLEY. You say that you have to get the rate down to 9½ percent. Mr. Gourley, in his testimony, says that you only need a rate of about 12 or 13 percent to create the stimulus in the marketplace.

Mr. NAPOLITANO. Sir, if I could correct you, I did not say 9½ percent in any of my testimony. That is what the bill calls for.

I think that Mr. Gourley is right. At 12 percent, an 11- to 12-percent figure, will be enough of a stimulus to get enough people back into the marketplace to keep housing viable. It will not solve all of the problems. We will not build 2 million units a year, but it will be enough to keep it viable.

Mr. WORTLEY. Would you like to see this admended to put the rate up to around 12 or 13 percent?

Mr. NAPOLITANO. No, I could not say that at the moment, because I——

Mr. WORTLEY. Well, if we only had to subsidize the interest rates down to 12 or 13 percent, we would in fact, get a greater return and more activity in the marketplace, which, I think, is something that your industry would be in favor of. Am I correct?

Mr. NAPOLITANO. That is correct, sir.

Mr. WORTLEY. So, you and Mr. Gourley, then, are somewhat tuned in on the same wavelength and would be agreeable to an amendment to this legislation that would call for a rate around 12 or 13 percent?

Mr. NAPOLITANO. I believe, speaking for myself, that we know the marketplace, and at the moment, a 12-percent figure would bring enough people back to keep us viable.

Mr. WORTLEY. So we do not, in fact, have to subsidize this rate down to 9 percent to get this industry rolling again. Am I correct?

Mr. GOURLEY. Well, answering strictly from our industry, we have seen, through the last several months, that each time that the rates have ticked down, just a little bit, from 16½ to 15½, it opens up a little additional market.

And we have had numerous realtors and homebuilders say, "If it were only under 14 percent". Which, you know, is sort of ridiculous, in looking at the historic level of rates, but I think that if the rates got down to 13 percent, that there could be a tremendous market.

We know that would be from just one thing. And that is monthly payments and people qualifying for loans. That is one of the rea-

sons that we suggested 12 to 13 percent would be a level that would open up the market.

I think that the salesmen here need to respond to that. We look at it as mortgage bankers.

Mr. WORTLEY. About the salesmen——

Mr. LAGUARTA. If I could go back to my people, with an overnight 12-percent rate, they would be dancing in the streets.

Mr. WORTLEY. Let me go back to Mr. Gourley for just a second. How do you feel about freeing up pension funds for more home mortgage money. Would that be good for your industry?

Mr. GOURLEY. Well, that source of funds is an absolute necessity. It is the largest single source of funds out there for the mortgage industry, or for any other investors, and those funds are growing so rapidly that it is an absolute must that the housing industry find ways to tap that money.

One of the things obviously, that has happened fairly recently, has been legislation or an administrative edict, that says certain pension funds can invest in conventional mortgages and there certainly needs to be a freeing up of those funds.

Mr. WORTLEY. How much of those funds is now being used in the home mortgage market? What percentage?

Mr. GOURLEY. It is relatively small. It is so small as to be—it is less than 1 percent.

Mr. WORTLEY. Less than 1 percent?

Mr. GOURLEY. Right. It is a very small amount.

Mr. WORTLEY. This would be a big step in the right direction?

Mr. GOURLEY. Yes. We need to educate that industry. That is what we have to do. We have to—there are a lot of pension advisors that have not had the freedom to invest.

Now, with some opening up of this freedom to invest we need to educate them, but there also needs to be more freedom given on their right to invest in home mortgages.

Mr. NAPOLITANO. May I interject. One of the things that we have to be very careful of is that if we believe just opening up pension funds is all of a sudden just going to be the utopia, well, you are wrong. It does take time, as my colleague has just said, to educate pension advisors that home mortgages are good investments.

And we need to start on that immediately, but you will not stimulate housing overnight by opening up pension funds.

Mr. WORTLEY. Thank you, very much. Thank you, Mr. Chairman.

Chairman GONZALEZ. Thank you, Mr. Wortley. Mr. Lundine?

Mr. LUNDINE. Thank you, Mr. Chairman.

Mr. Napolitano, I really appreciated the part of your testimony, both today and in your written testimony, regarding rural housing.

I believe that there is an even greater crisis in terms of financing housing in rural areas than there is elsewhere in America. Have you or the realtors, either one, experienced the problem, not only with the recommendations of the funding levels for Farmers Home Administration, but with extreme delays in processing, often blamed on shortage of field staff, up to six or seven months to process a section 502 Farmers Home Administration loan?

Mr. NAPOLITANO. Yes. To answer your question, we have had some 200 builders in here just in the past week or so on rural housing. That is all that they do, just build rural housing. And that was

one of the main problems that they have had—the time delays that they are experiencing.

We can document that for you, and submit some information on that.

[At the request of Congressman Lundine, the following additional information was submitted for inclusion in the record by Mr. Napolitano:]

IMPROVING SERVICING AND PROCESSING

Our Task Force reviewed the servicing and processing of FmHA and has made several recommendations to make housing more affordable, reduce costly delays and allow the work force of FmHA to concentrate on problem areas such as delinquencies.

To summarize, our recommendations are:

Higher FHA/VA approved inspectors on a fee basis;

Higher FHA/VA approved appraisers on a fee basis;

Higher private collectors;

Higher private attorneys to handle foreclosures.

Mr. LUNDINE. I would appreciate that. Is there any statistical evidence on the number of new housing starts in rural as opposed to suburban and urban areas?

Mr. NAPOLITANO. I am told that we do not have any statistics on that.

Mr. LUNDINE. Turning to a different subject. The two of you testified with respect to this proposal to Freddy Mac into a Government chartered privately owned corporation. I would like you to explain simply, why you are in favor of it. What the practical advantages are, what you think the cost is? And then at the end, I would like to try to understand who is opposed to it?

I realize that if you are in favor of it, that may be an odd question. But I do not really understand the issue well enough. Could you enlighten me?

Mr. GOURLEY. The reason that we are major supporters of the privitization of Freddy Mac is that we feel that in the total financing industry, there is need for competition. We have found through the years, that obviously the more competition, the better, as long as it is fair competiton.

The development of Fannie Mae has been one of the most important things for housing over a number of years, and the standardization of documents and the handling in the secondary market, nationwide.

But with the advent of the Federal Home Loan Mortgage Corporation, this introduced a competitive nature that we think has helped. It has helped Fannie Mae. Fannie Mae today, certainly has its major problems. But it has helped in the development of new programs throughout the country.

It would not have been available if you had the monopoly of one major institution, like Fannie Mae, we believe.

And we think that it will help speed up the process of developing a workable, conventional mortgage-backed security, which is the ultimate answer to minimizing the need for Ginnie Mae, which can not be slowed now. Ultimately the development of Freddy Mac along with Fannie Mae will speed up the process of getting a conventional mortgage-backed security program working and acceptable throughout the country.

Mr. LAGUARTA. We did not testify verbally, and our written testimony supports the privitization, if you will, of Freddy Mac, for the same purposes that the MBA——

Mr. LUNDINE. And it does not have any costs, as I understand it? There is no cost to the Federal Government?

Mr. LAGUARTA. No.

Mr. GOURLEY. No.

Mr. LUNDINE. Can you tell me what the issue is? Who is opposed to it?

Mr. GOURLEY. The issue raised by some is that there is no need for two similar secondary market facilities. Because we have a Fannie Mae, we do not need a Freddie Mac. And we say that is not so. As a matter of fact, that with the problems with Fannie Mae, we need both of them out there and competing. And we think that it is very, very healthy.

Mr. LUNDINE. Thank you. Now, I would like to turn to one other subject, and ask any member of the panel, whether you have studied the possibility of meeting some of our housing financing needs through, what are termed, price level adjusted mortgages, or nicknamed, I guess, real dollar mortgages, where the amount due is indexed to inflation?

I mean that the principal amount is not just an adjustable rate mortgage. The notion has been suggested to me, and I am intrigued by the evidence that it has worked in some limited circumstances, that if we were to allow an indexed savings instrument, let us say, at 2-percent-plus inflation, and allow or support in some fashion, by removing maybe some obstacles to the practicality of an indexed mortgage instrument, that of, let us say, 4-percent interest plus inflation, that a whole lot of people, because of the low payment levels, for the first 9 years, of a typical 30-year mortgage, would be able to afford housing.

Have any of you looked at this or do you have any opinions, or any remarks to make about it?

Mr. LAGUARTA. We have approached it from an academic standpoint, Congressman.

However, one of the problems that we have with it is, if you look to the effect of indexing, it encourages, at least it encourages the fact that you cannot deal with inflation, that you accept inflation, and that it is going to be with us forever, and do not try to fight it, join it.

And on that basis, we are not prepared to give up the fight on inflation, at this point. And therefore, our attempts to deal with it have only been academic in nature and we really have not tried to run any numbers on it.

Mr. LUNDINE. Not to be argumentative, but did you support the idea of indexing the income tax?

Mr. LAGUARTA. I believe that we did, yes, sir.

Mr. LUNDINE. Do any of you have any other comments?

Mr. NAPOLITANO. We have not analyzed it in any way, so I can not give you any feasible answer, however, if it is based similar to what the adjustable rate mortgages are, that are out there, they are not being accepted very widely. And I am afraid that would have the same effect on where the people do not know what their

payments are going to be, they are not reasonably secure in it, and I think that we would have difficulty in selling something like that.

Mr. LUNDINE. My time has expired. Let me just invite any of you, because I really am not advocating it, what I am doing is, I am interested in finding out more about it. If any of your associations have anything in writing on this subject, it need not even necessarily be a part of this hearing record, but I would appreciate hearing from you.

Mr. GOURLEY. The mortgage bankers will certainly address that. I am glad your time expired before I could answer the question. [Laughter.]

Chairman GONZALEZ. Also, let me interject something here, Mr. Lundine, because I noticed that you asked a question.

There are statistics, but they are not broken down in the way that you suggested, that is, suburban versus rural. You have metropolitan, nonmetropolitan, which is about as near as you can get. At the nonmetropolitan also, there is a breakdown there.

And the reason that I know that is that I was making an inquiry about 1 month ago. The figures there are also very dreary. I think that they parallel the picture which is somewhat better than 43-percent reduction. They parallel that or maybe a little bit more in what would be defined normally as rural or nonmetropolitan.

Mr. LUNDINE. That is of housing starts?

Chairman GONZALEZ. Yes.

Mr. LUNDINE. That would be very interesting if the staff could prepare that for us.

Somewhere here, in one of the written testimonies, was a table showing just the number of housing starts over the last 5 years or something like that. It would be interesting to see that broken out in metropolitan, nonmetropolitan to see if there is any difference.

Chairman GONZALEZ. We would be glad to. As a matter of fact, the National Association of Home Builders probably has one of the best economic sections. I am sure that they have it broken down that way.

Mr. NAPOLITANO. I think that we could break it down that way, for you, Mr. Chairman.

[At the request of Congressman Lundine, the following additional information was submitted for inclusion in the record by Mr. Napolitano:]

RESPONSE RECEIVED FROM MR. NAPOLITANO

In 1981, some 412,800, or 37.4 percent, of total housing starts were government-assisted. Of this, 64,900 housing starts were subsidized by the FmHA. This represents 19.8 percent of the 326,800 housing starts in nonmetropolitan areas.

Chairman GONZALEZ. Anyway, thank you. Mr. Vento, thank you for your patience.

Mr. VENTO. Thank you, Mr. Chairman.

I looked over all of the statements and I found them interesting and I think that at least there is a consensus developing that something needs to be done.

But the problem is that you supported the 1982 budget to some extent, not I guess totally. Now, really what you are asking for is some modification of the 1982 budget.

But the administration is coming back and saying, yes, we do. And therefore, we are going to cut back on everything in the pipeline. We are going to cut back on section 8. Most of the section 8 is going for rent supplement conversion for public housing, a little bit for the 202 program which incidentally is being cut; the fact of the matter is that the budget that has been submitted to us, talks about the immediate thing, and we have actually a falling back from the commitments of 1982.

And I just wanted to point that out to you. We are talking about how we can better allocate about the same amount of resources in 1983 and that is to be debated.

But, the immediate action really would be to just maintain the commitments that we have made. It is a very bad time to cut back on the commitments that have already been made.

The pipeline changes that have been made can be reconsidered, and that is really the most immediate thing that we can do, other than additional commitments like the revenue bond change which I favor.

The real question that we talk about in the National Government, is whether or not the National Government is going to have any role in terms of assisting home construction, ownership, and shelter in the future.

That is really what the question is, because indeed the administration's budget next year, if you had any doubt, is minus 46,000 units of assisted housing.

That is where they are going and in 5 years there is going to be no program in terms of assisted housing. All we are going to be left with is the programs that require funding.

I mean, if you are going to take a message to the White House this week, I sure hope that that is the context that we understand what is happening here, because that is exactly what is happening here.

Now, obviously this economic program is not doing what it is supposed to do. We will not debate about why we are here, but we are here and it is a positive indication that you are asking how are we going to get out of this particular dilemma.

And I think that we ought to try and recognize that at the least there ought to be the commitments kept, in terms of pipeline revenue programs. You cannot fight this depression in the housing industry with nothing and that is basically what the administration is saying, cutting back in every single commitment, practically. There is no production in that budget, and the rehabilitation program provides an inadequate amount in terms of rehabilitation; there is really nothing there.

They are offering you really nothing, and they are cutting back on the commitments that have already been made. You have to understand that, maybe you do not want to say it, because you represent a lot of folks, but I can say it. And I think that we ought to try and get that message through to the administration in terms of where we are going.

Let me ask a number of specific questions, unless any of you have a comment with respect to what I have said.

Mr. Gourley, you talk about the pension program and pointed out that conventional loans are only involved to the extent of about 1 percent.

Is not a good deal of that money being used to buy some paper in the secondary market, so it is not necessarily accurate to say that none of it is involved in stimulation, or support of housing construction, is it?

Mr. GOURLEY. No, I do not think that we were saying that. We were saying that there is such a small percentage of such a tremendous pool of money, and that some of it is in the secondary market, but from our standpoint—I have been in the mortgage business for the last 30 years, and we have never sold a loan directly to a pension fund.

We cannot find pension funds whom we can interest in selling a package of loans. They are hard to get to. They are hard to find an instrument—I beg your pardon, we have sold some Ginnie Mae securities to two or three, but very modest amounts, compared to their total investable funds.

This is true of the entire industry of pension funds.

Mr. VENTO. The pension funds are going to be looking at the rate of return and other factors as well. I mean, I favor the liberalization, but that obviously is no panacea.

What I am trying to find out is if that 1-percent figure includes the secondary market.

Do you think that it includes the secondary market?

Mr. GOURLEY. My cohort here used the 1-percent figure.

Mr. VENTO. I would like you to expand upon that for the record, if you would like to, but I think it does not include the secondary market. That is, at least, the impression that I have.

Mr. GOURLEY. It is such a small percentage, sir, that it is so small that maybe one, or maybe two, but as a percentage of the total investmentable funds, we expect them to do it at a competitive market rate, we just cannot get in there and get them to use mortgages as one of their vehicles in many of the funds.

Mr. VENTO. I can understand the problem in terms of the direct involvement.

[In response to the request of Congressman Vento, the following additional information was submitted for inclusion in the record by Mr. Gourley:]

RESPONSE RECEIVED FROM MR. GOURLEY

MBA's research has shown that approximately 0.95 percent of private pension fund assets are invested in mortgages and mortage-backed securities.[1] The comparable percentage for public pension funds is 12 percent.

Additionally, we have further comments on the proposed Multifamily Production program (Section 311 of H.R. 5731) that were not included in our testimony. We urge the subcommittee to amend the program to provide that at least half the assistance available to each State under the proposed programs shall be awarded by HUD field offices directly to builders and developers who submit project proposals. Further, in those States where no State housing finance agency exists all the assistance available to the State should be allocated in this manner.

There are a great many local and county governments that do not have the staff resources and expertise necessary to develop a project proposal that will be sophisticated enough to merit funding in the intense competition among localities that is

[1] Source: Money Market Directory, 1982; T.H. Fitzgerald & Co.

expected for these grants. Yet the areas within the jurisdiction of these governments may have the greatest need for newly constructed multifamily rental housing. A distribution of at least half the available funds through HUD field offices would permit all areas to have an equal chance at receiving assistance, regardless of the capability of the local government. Permitting builders and developers to apply directly for these funds would allow local jurisdictions to benefit from the knowledge and experience of those builders, developers and private lenders who have constructed, or financed, assisted housing under past HUD programs.

Mr. VENTO. Mr. Napolitano, in terms of page 5 of your testimony, you talked about the Patterson bill that you support. That is appreciation dependent?

Mr. NAPOLITANO. A minimum 2 percent is sufficient for the Federal Government to recover its money. And I do not think that anybody believes that inflation is going to get under 2 percent a year.

Mr. VENTO. I think that is very helpful, but that is an appreciation dependent type of program. So otherwise the fact is that there could be some loss of dollars in terms of the program if there was not appreciation.

Mr. Laguarta, on page 2 of your statement you talk about problems with high interest rates, which obviously concern all of you, and you point out the record of borrowing that has occurred. Are you satisfied with the monetary policy of the Federal Reserve Board since the October 1979 change in terms of monetary aggregates and the concentration of them?

Mr. LAGUARTA. No, sir; we believe that the policies of the Federal Reserve Board have been too restrictive from the standpoint of the growth of money. We would like to see them expand it slightly. And we also feel that the yo-yoing of rates has caused trepidations in the market, for people have not been able to plan with those rates going up and down, and that has caused sales to drop off, as a result.

Incidentally, let me give you a couple of numbers that you were curious about.

It is my understanding that there is about $600 billion in mortgages out there all told. And only about $15 billion are in certificates. So these certificates make up a very small percentage of the overall mortgage portfolio out there in the market, anyhow.

The numbers, the best numbers that we have as to pension trust assets, that are in certificates or directly in mortgages, is something less than 3 percent of their total portfolio.

Mr. VENTO. I appreciate that particular statistic, but I just want to go back to monetary policy for one second. You think that has to be a part of the solution with regards to where we go in reestablishing or reinvigorating the market?

Mr. LAGUARTA. Certainly, the monetary policy is a partner in the whole economic picture as we see it along with the fiscal policy.

Mr. VENTO. My time has expired, thank you.

Chairman GONZALEZ. Thank you. Mr. Coyne?

Mr. COYNE. I will yield to my more senior colleague. Mr. Frank, go ahead.

Mr. FRANK. My question is for Mr. Gourley. Am I correct in assuming that the bulk of your members are members of the same political party as the President? And, if so, I am just trying to reconcile the views that you have expressed here today, and why they

run so counter to the policies and actions of this administration over the past 15 months.

Mr. GOURLEY. Well, I think that, No. 1: I would answer your first question, we do not have the slightest idea, at least I do not, as to the percentage of our membership who are Republicans or Democrats.

As a matter of fact, some of the most likely looking characters, I have found to be members of the other party. Once I tried to judge their actions and what they said, I find that they are either a Democrat when I think that they are a Republican or a Republican when I think that they are a Democrat.

We are a hard to define group. And I do not know. Burton, have we ever tried to check out that number? Really I think I understand what you are saying, but I do not have the slightest idea.

We do have a constant debate within our organization, as to what the policies——

Chairman GONZALEZ. You mean you do not really all look alike? [Laughter.]

Mr. GOURLEY. No, not in the slightest. Some of us are southern, you happen to have a bunch of southerners here looking at you, now, but we are not by any means members of the same party.

We are fiscal conservatives, probably as a group, I think, but that is without concern for either party.

The items that we are talking about, is that when I look at the administration's look at Ginnie Mae and what is considered the credit allocation or the disproportionate share of money coming to the home mortgage or the mortgage market, because of an instrument such as Ginnie Mae, we think that they are very wrong.

We think that the reasons that have been suggested may be wrong. That is to the fact that Ginnie Mae and FHA cost the Government no money; they are user supported, both FHA and Ginnie Mae. For some reason or another we have not gotten Mr. Stockman and others to agree that that is so.

So, in that regard we do not agree with the administration. We do on many matters. I guess we are on both sides of the aisle on any question.

Mr. COYNE. I just asked that question because, so many times in these hearings that we have, people come down and say they support the general aims of the administration. I just thought it might be helpful if we could clear up here today why these differences of opinion exist even among so many people in the Republican Party.

My other question is for Mr. Napolitano. If we were to be able to enact all of the legislation that you have advocated here today, in your judgment, would the general down nature of the economy prohibit you from beginning to implement that quickly?

Mr. NAPOLITANO. Well, obviously that will have an effect in some areas, such as, for instance, the Detroit area, with the automobile production way down. I think that in some cases, even if you gave them an 8-percent interest, it is not going to stimulate housing, because people are out of work.

But if you start selling houses in Florida and Houston, Dallas, and in southern California, and Pheonix, those areas would respond immediately to it.

Those people would go back to work, would begin to buy automobiles, and then the people in Detroit would go back to work also. So, yes, I think that if we get enough stimulus going, very rapidly, to get the economy moving again—and again, as I repeat it will not be the utopia, it will not be 2 million units a year—it will be enough to get enough people back to work to get the entire economy moving.

I think that we can do it rapidly, if the Congress and the administration can move rapidly.

Mr. COYNE. Thank you.

Chairman GONZALEZ. Thank you, Mr. Coyne. Mr. Frank.

Mr. FRANK. Thank you. Let me begin by thanking all three of you gentlemen. All three of you presented testimony that was about as substantive as any I have ever heard, even after 1 year, I have gotten a little tired of looking at people who talk about the problem in general and do not get very specific. And most of my questions are usually, what do you want me to do about it. And I appreciate the very specific and substantive nature—as you approach this, let me suggest one point that I think people might make fairly on behalf of the housing industry when we are asked, well how come we are supposed to give aid to the housing industry.

You stressed the role of housing, Mr. Napolitano, particulary, and I think that there are a number of people in the administration now, who probably will admit that they undervalued the role of housing in the economy as a whole.

They thought of it as more of a frill, and with the spinoffs in textiles, and appliances, and furniture, clearly housing is a much more important piece of the economy.

But, in addition to looking at it as an engine for the economy it has also an end and it is a provision of shelter which is a great necessity. And I would think if it could be subsidized about half as much as the agriculture industry is being in the United States, that is we have food that we consider a necessity. And if you mention free market around some of the most conservative Members of this Congress, when you are talking about agriculture, you produce extraordinary physical symptoms.

It is a good thing there is a doctor in the building. [Laughter.]

So, I do not think that when we are talking about the provision of a necessity, given what we do in agriculture, they make all of you look like Adam Smith, and I do not think that you have to apologize.

But I do think that there is a general and contextural problem here. And it may be that intellectually that because of its role in the provision of shelter and because of its role as an engine in our economy, that housing can be singled out for a little special treatment.

Politically, I do not think that is going to work. And I think that this is something, and I think that perhaps some of my colleagues have touched on this, I do not think that it is possible to support a general approach which says that Federal Government has no role really to play in our domestic affairs.

And we are going to have to cut revenues to the point where we can barely do more than take care of social security and defense, and then argue for a viable housing program. And I noticed for in-

stance, in the realtors statement, Mr. Laguarta, you say when the Reagan administration resolved to cut spending, our association applauded the initiative, nonetheless we oppose cuts.

I do not think it is sustainable, at least politically, to say that everything should be cut but us. And there is a problem in the letter that was signed and the mortgage bankers have included a copy of that letter and we have three other signatory organizations, the bankers being the ones missing.

You say, March 3, 1982, open letter to President Reagan and Members of Congress. Given the circumstances, there is no alternative to one, slowing down on all spending, nonexcluding defense and entitlement programs. I mean you have got to put these two together.

There is not a footnote in there that says slowing all spending not including defense and entitlement and housing programs. I just do not think it is going to work.

I just do not think that it is going to work. And frankly I would say to the realtors, there is a conflict on page 8 of Mr. Laguarta's statement and the statement here.

Are we going to cut down on all spending or are we going to make an exception for housing? And I would ask you to address that.

Mr. LAGUARTA. Well, if you will notice very carefully, our testimony does not call for any new spending. That is exactly our point.

Mr. FRANK. No. That is not my point and it is not the point that you made here. You were opposing cuts in spending. I am leaving aside increases in spending. The administration has proposed further cuts in spending. What you say here is we oppose cuts by the administration in Ginnie Mae mortgage-backed securities.

It seems to me that you were opposing some of the cuts the administration was proposing, but in the letter, you said that we have to slow down all spending. And I do have trouble resolving those two.

Mr. LAGUARTA. Look at Ginnie Mae. What is Ginnie Mae a cut of? Ginnie Mae does not spend money for the Federal Government. Ginnie Mae produces revenue for the Federal Government.

Now, you can make the argument academically that, by the Government kissing the paper, they get involved in the whole process. And that is Mr. Stockman's argument.

Mr. FRANK. So you would just tell us to disregard, or you disagree with the general thrust of the administration, that Federal Government guarantees credit that you do not believe that those in any way impinge on the market or in any way cost the Government any money?

Mr. GOURLEY. I would like to—I thought I had answered that in part when Congressman Coyne raised the question.

And I would say again, it is a significant part of the Mortgage Bankers Association of America position on this, is that these are user-fee-supported programs. There is no money, there is nothing out of the budget.

It appears in the credit budget. It is a part of that, but there is no disbursement of funds on the part of the U.S. Government, for either FHA's nonsubsidized program nor the Ginnie Mae mortgage-

backed insurance program. Both of those collect fees; that is, the users pay fees that more than support those programs.

Mr. FRANK. To get out of the argument about whether or not—and I am glad to have your view that they have greatly exaggerated the fiscal impact on the Federal Government of these credit guarantees—but, on page 11 for instance, Mr. Laguarta, you refer to the administration proposal to terminate the section 8 construction program and purge the pipeline of unfilled commitments despite potential legal problems. Am I correct in inferring that you are opposed to that?

Mr. LAGUARTA. Yes.

Mr. FRANK. Well, these are some of the spending cuts that the administration is proposing. And I again, I think that you have a conflict between some one point on page 3 on the mortgage banker's letter when you talk about slowing all spending.

I gather what you are saying is that you do not think that the administration's proposals to make further cuts here in the housing area are reasonable at this time.

Mr. LAGUARTA. Well, when you are talking about in the housing area, no.

Mr. FRANK. OK, then, you are not really for cutting all spending? And somebody better go back and put a footnote in the open letter. I am sure that the papers will be glad to sell you another ad. They are not going too well either. [Laughter.]

So, I think that ought to be addressed. You also say in the letter, if necessary—this would be addressed to all three—if necessary, we should be deferring previously enacted tax reductions or increasing taxes.

Now, I do not know whether for instance, the realtors are going to go back and those of us who got a negative mark last year for voting against that, whether that negative mark is going to be changed. And whether you might have an asterisk like Roger Maris' home runs in our voting records, but I would like to start with Mr. Napolitano and go down the list. You say, if necessary, what do you mean by that?

I mean is it necessary, what is the criteria for deciding if it is necessary. I appreciate the frankness here in your letter. We are clearly confronting some difficult situations. If necessary is a bit of a hedge and I would just like to expand on that. I mean what are the criteria that will tell us in 1 month when we have got to vote on this presumably, whether it is necessary or not to undo some of what was done in last year's tax reduction bill?

Mr. NAPOLITANO. Well, I believe that you have to look at the facts as they exist. I believe that the Congress, reluctantly or otherwise, and the administration, since the new President came in, went for certain cuts in the budget, certain tax increases, with the hope, and I believe that everybody, as I say, reluctantly or otherwise, felt that perhaps this would work.

Mr. FRANK. Not all of us voted for that.

Mr. NAPOLITANO. But we were hopeful that it would work.

Mr. FRANK. All of the people that voted for it, we have one that came back, most of the people that voted for it left the room. [Laughter.]

Mr. Napolitano. Well, I think that you are all here for the same purpose, for the good of this country and for the good of the people of this country. And we all may have different opinions as to how to go about it, but I think that we are all here for that same purpose.

And I think that whatever you finally do, is with that in mind. I have great faith in this system and what you people are doing.

However, I give that as a little background, because I signed that paper as I believe that we must look at further spending and keep it to a minimum. I do not say that we can eliminate it completely. One of the areas that we are concerned about, and I am no expert in it, so I cannot define it for you, is defense spending.

I have spoken to some of your colleagues, who are in the defense area, and they tell me there is a tremendous amount of waste in defense and that should be cut out. And it could be anywhere from $10 to $20 billion. I am no expert on it and I am not sure that that is accurate or not.

As far as the taxes are concerned, I do not believe that the American people, if you would check with them, really wanted that tax cut, especially in light of what happened to them now, in retrospect, whether they wanted it.

And perhaps a deferment that would delay it might be in order. I do not know. You people are the ones that are close to it. The administration is. That is one of the things that should be looked at. I cannot say whether it should be tomorrow, or next week, or next month. That is one of the areas——

Mr. Frank. You tend to focus on the points of disagreement. I am tremendously grateful to all of your associations and the bankers for signing the letter. I think that it is a very important step forward in discussing national policy. I really appreciate it.

That is why I wanted to focus on it some, because I think that it is a very constructive contribution.

Mr. Napolitano. Well, let me go further if I can. I can justify in my mind, and I believe in talking to some people in the Congress and the administration that after presenting this discussion to them that they have to agree with it in concept.

And, I believe as I said earlier, I am a businessman and I know that I have to spend money to make money. You cannot take everything out of the budget and say, we are going to cut everything, we are not going to spend anything else, when spending some money will bring you more money back. Putting people back to work, and that is what this whole thing is about.

We probably would not be here today, in such force, there would not be a lot of discussion going on in the administration right now, I probably would not have a meeting with the President, unless there was some concern on everybody's part that the unemployment is too high, the economy is in worse shape than it ought to be.

You have to spend some money to bring some back.

Mr. Frank. I hope that the administration understands that. I could not help but think when the chairman of the subcommittee mentioned when he first met Reagan at a meeting of the Optimist Club, the President may have put them all into his economic advisors and we are still being governed by the Optimist Club.

Mr. Gourley.

Mr. GOURLEY. Well, from the standpoint of my industry's viewpoint, I think that if it is necessary to cut, to reduce the size of the budget, then tax increases would have to be part of the plan.

If you cannot cut them back, if you cannot cut spending that sufficiently to get the deficit down, then you have to raise taxes to narrow that gap. Because we feel that the deficit is a significant part of the problem of high interest rates today.

And it is terrible to be an industry that people think benefits from high interest rates, when we suffer the way that we do with high interest rates.

Now, back to your first question. That has to do with the spending that we are talking about, that mortgage bankers have historically opposed these subsidies for other than the needy.

And so, the spending that we are talking about, as I understand it, about extending the 235 program, extending the tandem plan, has to do with furnishing housing for those people who are extremely needy.

We are not talking about something for the general populace. We are talking about something for people who need housing.

Mr. FRANK. Well, the 235 is aimed not just at the very needy. There is a sort of moderate to middle income.

Mr. GOURLEY. No; the 235 right now, would be extended to, as I understand it, we have very little of the 235 for moderate income. We are talking about the 235 for the basic housing product as a subsidized part, I mean for the lower income subsidized part.

Mr. FRANK. Mr. Laguarta, does the bad mark for voting against the tax bill still stand?

Mr. LAGUARTA. The problem with the 1-page letter is that you are trying to cover a great deal in a very few words and still have it be concise and to be understood. Clearly, if we were starting from point zero, and making cuts, as far as spending was concerned, yes, we would be willing to take our cuts along with everyone else.

The problem is that housing was hit harder and deeper, disproportionately to other sectors of the economy. Now, they want to come back and take further cuts on housing which has already taken its burden. You know, we have bitten a few bullets, as the saying goes. And that is what we are saying. Let's reexamine some of these other areas that where perhaps we could get some of these spending cuts.

That is the part of our message there.

The second part has to do with tax increases. We did not put a footnote with it and say, except housing, or everybody's ox but ours. The second part has to do with, if those things do not work, tax increases. We said that, essentially, the deficit has to be cut. We did not put a note in there and say, take mortgage interest with it; or deductability or some other area with it. Clearly, we do not believe that that is productive as far as this stimulus is concerned.

So the problem, I guess is, that it is just a 1-page statement there, and we are now trying to cover as much as you want us to cover in a more complex and detailed document such as we presented to this subcommittee, today.

Mr. FRANK. My time has expired. Thank you.

Chairman GONZALEZ. Yes; the gentleman's time has expired, and I would recognize at this point, the distinguished chairman of the full committee.

Mr. ST GERMAIN. Thank you, Mr. Chairman. I would say to the panel, one of the essentials, particularly for the realtors, and the homebuilders, is that the American people, those who desire to purchase a home, have a place to go, a delivery system for a mortgage that they need to purchase that home.

And over the years that delivery system has been primarily the thrift institutions of this Nation. Does anyone on the panel disagree that, indeed, they are an essential part of the process, if the American people are to realize the American dream of owning their own home. Does anyone disagree with that?

Mr. LAGUARTA. No.

Mr. GOURLEY. No.

Mr. NAPOLITANO. No; no, sir; I do not disagree, I just mentioned earlier, before you came in, sir, that I would like to see the thrifts go back to exactly what they were formed for, providing mortgage funds for the American people at a reasonable rate.

But that whole scenario has changed tremendously. And while we would like to see that happen again, it is probably not in the cards that it will happen anytime in the immediate future.

Mr. ST GERMAIN. What will not happen in the immediate future?

Mr. NAPOLITANO. That there will be a viable institution supplying the bulk of the mortgage money for the people of this country.

Mr. ST GERMAIN. Mr. Gourley?

Mr. GOURLEY. I concur with the deregulation that has taken place and with the effort on the part of the miniature savings and loans like commercial banks and others matching assets with liabilities where they have short-term liabilities deposits. They are matching those with short-term investments these days. We are seeing them, even those that have some funds to invest, they are doing it in short-term types. Construction loans maybe, but automobile loans, consumer-type finance and this sort of thing. They have become banks.

Mr. ST GERMAIN. They have, where? Where are you from, sir?

Mr. GOURLEY. I am from Charlotte, N.C.

Mr. ST GERMAIN. The State-chartered S. & L.'s in North Carolina are allowed to make commercial loans?

Mr. GOURLEY. Yes; well, commercial loans, I said construction loans, short term.

Mr. ST GERMAIN. You said automobile lending?

Mr. GOURLEY. Yes; anyway, short-term consumer loans. They have all sorts of short-term investments. Now, when we speak to the federally chartered, or State-chartered——

Mr. ST GERMAIN. Sir, they are looking for those powers, they do not have them.

Mr. LAGUARTA. In Texas they do.

Mr. ST GERMAIN. In Texas, yes. But not across the Nation; Texas is the exception and those are the State-chartered institutions.

Mr. GOURLEY. We have the State and others. But they are like commercial banks. When I made that statement, I am sorry that I

made one that would be that loosely directed, but I know that they are in short-term investments. And I use consumer credit——

Mr. ST GERMAIN. And the reason for that is that they are carrying very large portfolios of long-term mortgages at very low rates.

Mr. GOURLEY. Right.

Mr. ST GERMAIN. And the overall yield say, in the Northeast, is approximately 9 percent. And when they have to pay what they are paying for money today, it is rather difficult for them to survive.

The next question is, I assume that most of you are familiar with the fact that the report recently came out from the Brookings Institute to the effect that unless there were a dramatic and an immediate drop in the interest rates that none of us can conceive happening in the immediate future, there are approximately 1,000 institutions that are in very dire circumstances.

I assume that you are aware of that report. Now, approximately 3 or 4 weeks ago, I introduced legislation, H.R. 5568, the Home Mortgage Capital Stabilization Act. A different version will be introduced within a day or two and instead of $7.5 billion draw on Treasury, what we will do is substitute a certificate, an I O U, from Treasury that the institution that qualifies with the criteria in the legislation, would be given, they could put that in their vault and that could be part of their capital picture on their financial statement.

I am told that Wall Street would indeed accept those, as long as there were no conditions attached thereto, they would consider them as cash.

As a result thereof, we minimize the amout of moneys, of actual cash that would indeed be involved, by virtue of the fact that the only time that cash would become involved is if that institution were to fail despite the assistance.

That would be minimal because we give to the insuring authorities, the FDIC, and the SLIC, and the NCUA, the decisionmaking powers as to whether or not the institutions in need of assistance can, indeed survive if it received that assistance.

One more point, by substituting the certificate for cash, under the original legislation, the institution would have to repay that cash, with interest at the same rate that the Treasury paid for that money whilst it was in the institution.

So we have lowered the cost of that institution and, therefore, allowing them to become healthy and viable that much sooner.

The merger process has been going on, and there has been a lot of work put in, but a lot of money spent; 28 mergers last year, cost the FSLIC, $1 billion. That is their commitment. And so that is becoming quite expensive. Plus the fact that there is a saturation point, in as far as, mergers are concerned.

Now, at the present time, no one has come up with a new institution, or a new delivery system for home-mortgage financing. Therefore, we have no alternative, but to continue to look to the thrifts.

Does anyone disagree?

Mr. NAPOLITANO. To a degree, I respectfully disagree on that.

Mr. ST GERMAIN. Does that mean that there is another means of finance?

Mr. Napolitano. As I mentioned earlier, I belive that the S. & L.'s, who have been the mainstay for mortgages, are no longer doing that even when they do have funds available. They are not going into mortgages, they are going into short term. Which means that housing is not getting any share from these institutions.

There are other areas, such as the pension funds that we talked about earlier also, and the amount of money that could come out of pension funds in the long run.

There are other very important ways that we might be able to bring some money into the secondary markets. We talked about that earlier also, gearing those up with Freddie Mac, and so forth, so that we can have enough of a secondary market——

Mr. St Germain. What would be the vehicle to get to that secondary market? We would need an institution, would you not?

Mr. Napolitano. I believe that the mortgage bankers could work directly through them as it is doing right now with FHA and VA. They are going directly to it with conventionals. I believe in trying to save the S. & L.'s, and our industry believes in trying to save the S. & L.'s. But the problem we are having in talking to the S. & L. leadership and the S. & L.'s around the country is that they all want to be banks. And they will tell you that. They are trying to get out of this by becoming banks.

Oh, they will tell you, yes, we are going to stay in mortgages. You give us a chance to get healthy and in 1 year or 2 years down the road, we will be back in there with you.

Well, we cannot wait 2 years down the road. And what you are proposing right now, I think we can look at more sympathetically than that $7.5 billion. Because the concern that we would have——

Mr. St Germain. Incidentally, the way that the legislation—and you know that I saw you the night before I introduced it, or the day I introduced it, that evening, so I am sure that you have had an opportunity to look at it.

There is a requirement that the institution that is assisted in this manner, would then have to put 50 percent of the new funds that come in, into home mortgages for first time home purchasers, residential mortgages, at a rate 1 percent above their average cost of money.

You are aware of that provision?

Mr. Napolitano. Yes. I believe that there is a problem with that in the interpretation of what the net result will be. We are a little bit concerned.

Mr. St Germain. I think that it is a whole lot better than the all-savers certificate that you jumped on.

Mr. Napolitano. I fully agree with you on that. We got burned on the all savers. There were too many loopholes, it did not accomplish what it was supposed to accomplish and we are very much concerned about it.

We would look at anything very carefully that does not contribute to housing, especially for S. & L.'s, since they are not contributing most of their money to housing.

Mr. St Germain. My friend, the prime reason, for introducing this legislation was my concern for the cost to the taxpayers, eventually if this many thrifts go down the tubes.

Second, having gone around the country with the members of this subcommittee, everyone here, we found out that there is a helluva lot of unemployment out there due to the slump in the housing industry.

It is not restricted to the carpenter, the laborer, the plumber, and the electrician. But it really goes all the way across the country. So many satellite industries.

And that is why, indeed, I drafted the legislation. With real circumscription to insure that if these institutions get assistance, they in turn, because it is not only for the thrifts, it is for the homebuilding industry, and for the home purchaser, and it is for the people who work in the carpet manufacturing plant, and the hardwood industries for the furniture, and the sawmills, and the fellow out there felling the timber. We want to help all of those people.

So I would ask you to take another look at that legislation.

Mr. GOURLEY. Mr. Chairman, we certainly accept the concept and think it is very important that the S. & L.'s be given assistance for all of the reasons that you have mentioned.

I would like to say, that as an industry, the mortgage banking industry is another delivery system. And is a delivery system that as, a matter of fact, numerous savings and loans and thrifts all over the country have now joined, they are part of the mortgage banking fraternity, because they have had to get to the secondary market for money.

They use Fannie Mae, they use Freddy Mac, they use Ginnie Mae, they use conventional mortgage bank securities. That is the way they are bringing lots of money into the marketplace other than through the direct deposit, savings route, that has historically been the way.

So, there is a delivery system that is there, that has developed, that is developing and becoming much more meaningful over the last couple of years.

It is called mortgage banking, and many of them are mortgage bankers.

Mr. ST GERMAIN. I think that many of us forsee that in the future, that is the way that it is going to function. No longer will the S. & L.'s function as they did in the past. They will probably be, more likely be the conduit to the secondary market.

Mr. LAGUARTA. Mr. Chairman, we, in our testimony, support the thrust of your legislation. The question we have has to do with the pipeline through which it is supposed to go into housing to meet the aims that you specifically delineate.

And I guess our question concerns the difference between this and the all-savers certificates. This is 50 percent and the all savers was 75 percent of net new deposits. There was no cap on all savers. In your program there is a cap above 1 percent above their cost of money.

Well, if they did not put the money from the all-savers program into housing, with no cap——

Mr. ST GERMAIN. We know where that money went.

Mr. LAGUARTA. I understand. What I am saying is that——

Mr. ST GERMAIN. They had a loophole to go into buying paper.

Mr. LAGUARTA. Certificates and agriculture paper loans and whatever——

Mr. St Germain. Right, but what in this instance, frankly if there was an attempt to add that type of loophole, frankly, I would just say, hey, let us forget it. I would not even take it to the floor or through the committee, period.

Mr. Laguarta. If it is tied to housing, we are on your team.

Mr. St Germain. Thank you, gentlemen, thank you, Mr. Chairman.

Mr. Gonzalez. Thank you, Mr. Chairman. Mr. Hoyer?

Mr. Hoyer. Mr. Chairman and panelists, I want to apologize for having to leave during the course of the hearing. I think that this testimony is going to prove very, very helpful.

I represent Prince Georges County, Maryland, which is just outside of Washington, and the housing market is tremendously depressed there, as it is everywhere in the country. This can be tremendously important to us.

I want to make an observation. I received your questionnaire and it asked: "Are you for increased money in housing, or increased money in social programs?" My response to you was, that housing is a social program.

That is what I think Mr. Frank's response was. You have been talking about some basic necessities and shelter, and I have been very impressed with all of your statements. But to posit as alternatives, I think that politically, it does not make as much sense. From my perspective, housing is very definitely a social need in this country and it is something with which the Government has got to be involved.

When the housing industry is flat on its back, as it is now, we have an obligation to go ahead and try to work together. I appreciate your observation that it ought to be done in a nonpartisan way. But I think frankly that we are somewhat ahoist philosophically, especially in light of what Mr. Stockman has talked about in terms of these cuts.

And that again is what Mr. Frank was talking about. I think that we ought to move ahead, but we ought to do it in a practical sense as opposed to posing some philosophical jargon about those bleeding heart liberals, who are not the bad guys. They want to help out too, and they want to make some sound business judgments on how we can help, but that we do have a role to play, I think that is the difference.

I think that some of us were stung by that observation.

Mr. Laguarta, I did not get the answer to Mr. Frank's question on the tax program, whether I was rated a zero by your association. I understand that I did by a call I got from one of my local realtors. I notice that Al is shaking his head, but apparently the judgment was that if you did not support the President's program, you were therefore not sympathetic to some of the interests that I think that you are espousing.

You just said that if it was a housing program, you should be 100 percent for it. It is a judgment call that all of us have to make. I think that many of us felt so with the tax program, in particular.

I think that you pointed out that we had to cut large sums of money. We, the Democrats and the Republicans, were all in the $35 billion ball park. Where we were not in the ball park at all, was in the proposal to give away three-fourths of $1 trillion in the

next 5 years on the expectation that our economy is going to turn around.

Now, those of us who did not believe that would happen, understandably feel that we perhaps would have had some modicum of judgment available to us. Perhaps the answer to Mr. Frank's question ought to be that there ought to be an asterisk by that vote. Because we want to move forward and work together, to try to bring this housing market out of the slump that it is in.

That is not a question. It is just two observations. But I think it is important that we move ahead and try to solve some of these problems. Thank you, Mr. Chairman.

Chairman GONZALEZ. Did the gentleman yield back his time?

Mr. HOYER. Yes, I yield back the balance of my time, unless Mr. Laguarta would like to answer that question.

Chairman GONZALEZ. You were not asking for comments from the panel?

Mr. HOYER. I will ask for comments.

Mr. Laguarta, do you understand what Mr. Frank and I were saying? I think a number of us in the Congress were somewhat stung by that analysis.

Mr. LAGUARTA. You are talking about the analysis of 1981?

Mr. HOYER. Yes. I have only been here for 8 months so I do not go back too far.

Mr. LAGUARTA. I would say that that analysis has not been done for the current Congress, for this session of the Congress. We have not gotten a report card for this session of the Congress.

Mr. HOYER. Well, I got a call from one of my local realtors that said, why did you get a zero?

Mr. LAGUARTA. Well, we have done no report card. Now, if you are referring to whether we have looked at issues and votes that we believe are critical to the housing industry, yes, we have done those. But we have done no report card on you—since you have only been here 8 months. Maybe on some of your colleagues who were here in the previous session, where the analysis was done relative to the number of jobs or housing starts and all of those things, and that is what I thought you were referring to.

We have looked at, I think, about 15 or 17 votes that were what we felt were, clearly in our ball park, as far as housing was concerned.

Mr. FRANK. If the gentleman would yield for just a minute. I got the distinct impression from local realtors and some of the people here that we were, in whatever report card was going to eventuate, having voted against the tax cut, that was a negative vote, am I correct in that?

I thought at the very least, that if we got a negative vote for voting against the tax cut last year, we should get a positive vote for wanting to do it this year. And at least we could break even.

Are we going to get a negative vote for voting against the tax cut last year?

Mr. LAGUARTA. There were several issues within the tax cut per se. We did not just look at it as one up-or-down vote.

Mr. FRANK. We only had two votes on it.

Mr. LAGUARTA. You may have had it in the House.

Mr. FRANK. I voted for an open rule and I was glad to have your support. But we lost on that.

Mr. LAGUARTA. I was up here when the whole tax program was going on and there were several issues that came up—amendments in the Senate—and I think that there were 10 or 12 votes over there. In the House it was a different situation, because well, you are well aware of it.

Chairman GONZALEZ. Well, Mr. Hoyer, let me just say this not wishing to prolong it, but I know that you are new here, but you are an experienced man, you served at the State representative level with distinction, and I am sure that you are not unduly concerned about gray cards, or rating sheets.

Certainly you have learned—we used to have a member of this subcommittee, in fact Tom Rees, that also became frustrated with that and he used to publish an annual rating sheet. Everyone of us had a 1,000 percent record on his rating sheet. And I have not been smart enough to know how to get the equal thing, but I am going to start the Gonzalez rating sheets and I will promise you, to give you a 100 percent. [Laughter.]

But I certainly would not worry now. Of course, today you have the PAC's, that means money. And I would also take this opportunity to acknowledge a letter I just received from Mr. Napolitano, which I am asked to answer certain questions on the basis that this year, the association will be rating us on certain issues, they are projecting.

But then, unfortunately you say, if you want to get our money and support. And my policy has been ever since I was in the State senate, that unless it is local, that if I have a committee assignment of any kind, and either a group or individual, who might have potential business with the subcommittee or the committee or any committee assignment, offers a contribution, or a donation, I usually either limit it to a $100 if it is local, or will not accept it on the basis that it would conflict with my ability to freely serve even the proper interests of that individual or that collective group.

So that, today, yes, these rating sheets in a way do. For instance, I serve on the Small Business Committee and 2 years ago, one of the federations issued one of these report cards that gave me a rating of 6 percent. That is that I was against small business.

Well, if we stop to worry about this, Mr. Hoyer, I am afraid that there is nothing much that we could do other than rely on Tom Rees' rating card where you will always show up good.

Mr. HOYER. As you have observed, I have been in office now for 14 years, and I guess that I have been rated a number of times. That does not concern me, I just wanted to call attention to it because I think that it is important.

Fred, you said it best. We have got to stop dealing with this issue and other issues in light of the political sphere and vague philosophical theories and start talking practically as to what will work. That is my point.

I think the tax program was a philosophical theory that has not yet worked. The President says to give him time, I understand that. I do not think it is going to work, but nevertheless, that is the point that I was trying to make.

I agree with the chairman. The ratings come and go, and I am sure that my local folks are going to stick with me, whatever the national association may or may not do.

Chairman GONZALEZ. Mr. St Germain?

Mr. ST GERMAIN. I would like to make an observation. There has been a discussion about cuts, and well maybe look at the entitlement programs. Entitlement programs meaning social security. And there was an observation made that well, if you invest money in the housing area that it returns funds.

Well, gentlemen, I would like to tell you a little story. When I first came to Congress, there was a local neighborhood market in Woonsocket, R.I., Genacu's market. And it was a neighborhood place. I stopped in, one Saturday, to make some purchases and was chatting with Mr. Genacu. And we had just that week, voted on an increase to social security. This was before the increase came, automatically based upon the cost-of-living index.

And we used to have to vote each increase. Now, Mr. Genacu was a quite conservative individual, and he commended me on the fact that I voted for the increase and then he said, that you know there are a lot of people that do not seem to realize it, but I have been in business here for many, many years and there are a lot of tenement houses, not apartments, in Woonsocket we have tenements, where you carry the kerosene up from the cellar, you know from the drum.

And these people are very frugal and do not have a lot of money. And many of them were on social security. It probably, Rhode Island, is the third highest State in the Union of the number of people collecting social security.

"Now, I am a conservative," he says, "but I approve of that increase." What a lot of opponents do not realize is that money immediately goes back into the economy. He says, "They come here when they get their check and make their purchase, and they pay off what they owe me for the week or two before they receive their check that they could not afford to pay me."

So those entitlement programs like social security, it is all well and good to say that we have to cut them back, but remember that that money also, goes right back into the economy. It does not stop off anyplace. I would say that 90 percent of it goes back into the economy within a week after those people receive those checks.

That is just an observation that I thought that I would like to make to you gentlemen as to the type of thing that sort of helps when one is trying to make decisions here in the Congress to talk to our constituents at home, and find out from them, how the system works in the marketplace in reality, rather than listening to the experts. And I am not talking about you people. But the experts that come into us with their theories.

Like the economists who come and say that too much money is going to housing. I say that is a lot of hogwash. I say it is a lot of hogwash. One of the most important things about America is the fact that the average individual can look forward to owning his or her home. And I just cannot buy their argument that too much money has gone into housing.

On the contrary, I would say that not enough has gone into housing, because we still have too many people out there who do not and cannot and do not have much hope of owning their own home.

But those other experts on social security as well, and I have to disagree with, and incidentally that is why we went out into the field and we listened to people like the Papago Indian lady, who asked us to bring the message back to the White House, because she said that I will never get to the White House.

She was right. She and most of the witnesses that testified were unemployed. They had run out of unemployment compensation. Certainly, they could not come here to tell us, what their plight is, what their problem is. Unfortunately that message through to OMB or to the White House because they have not been going around the country and listening to people.

Thank you for the opportunity to give you this dissertation. [Laughter.]

Chairman GONZALEZ. Well thank you, Mr. Chairman, but it is, and it has always been fascinating to me to see, but I think that as long as we have some basic respect and mutual respect among Americans, we will be all right. It is when we get into these areas where Mr. Stockman gave an incredible reason for what he considered an excessive allocation of credit on a national basis to housing. He stated that all of those housing programs had been mostly lining the pockets of, I think the word used was the promoters of real estate, and builders. That they were excessively costly to the taxpayer on the basis that most of them were ripoffs by the builders.

If I remember correctly, the statement was given in context with some of these specific programs and yet, I never saw any condemnation of that statement. And yet, there was dispersion cast on a segment of American private enterprise, if you please. But at that time, since the thrust was, well we want to get those welfare cheaters, everybody could agree on that, because the welfare cheaters, well you know, you would not be on welfare if you were not unsuccessful or underserving to begin with.

And it is that kind of prejudice that, I think, is the biggest damage that has been done in the last few years. Because it has created cleavages, almost a class basis, and that is the only thing to be deplored. As long as there is a mutual respect, I think that we are going to be all right.

I think that you gentlemen ought to know that nobody would question the integrity of your gentlemen and your industry that you symbolize, and yet the biggest decisionmaker with respect to just what, is going to happen and has happened to our finances, and our economy is given, was considered to be the unbecoming behavior of the homebuilders the construction and the intermediate people like the mortgage bankers. They were the ones and it was not reaching the people that needed it.

We even had a modified version of that presented to us, by the Secretary of Housing last year. So that it caps what Mr. St Germain said here, that sometimes we forget, and we try to always figure that we are better or smarter than somebody else, and that I think is a tragic mistake.

In all America, and our history shows that, that we have to have some mutual basic respect, no matter how far apart we may be philosophically. And Mr. Hoyer, when he says, "Us Liberals," I am sure had reference to that. Because the temptation to associate these labels and all in a derogatory way is there, but yet, the whole history of our Nation is such that that word should be one of honor.

Because if there is anything that America stands for in the real world, it is that we are liberal. And I just wanted to say that because Mr. St Germain's story is my experience back home in Texas.

Thank you, gentlemen, for your patience. And unless you have a statement to make, the subcommittee stands in recess until 2 p.m.

[Whereupon, at 12:30 p.m., the subcommittee recessed, to reconvene at 2 p.m., the same day.]

AFTERNOON SESSION

Chairman GONZALEZ. The subcommittee will please come to order, and we will resume this hearing of this morning, which was interrupted at about 12:20. And let me announce, there is some business on suspension that involves a resolution that is being presented by the distinguished chairman of this full committee, Mr. St Germain. So that is one reason why some of the members are not here. They are on the House floor.

But on the other hand, it is 10 or 12 minutes past the appointed hour, so there is no reason that we should wait. So we will continue.

At this point this afternoon, we are delighted to have once again a very distinguished witness who has been very helpful to all of us on this level, and above all a very courageous lady, Ms. Cushing N. Dolbeare, who is the president of the National Low Income Housing Coalition.

Through the years she has done a tremendous job, and as I said and repeat, she has helped some of us on this representative level to serve as truly representative as we best can. So once again, thank you, Ms. Dolbeare. And you are an experienced hand and you know that if you wish to introduce for the record your prepared statement and then summarize, whatever you may feel you can best do that way. Well, without any objection whatsoever, we will do it that way.

And also, at the proper time, you may make the request of the subcommittee that we place into the record the two articles and letter that you suggested we might want to. In fact, I would ask general leave to do that without objection following the presentation of your testimony for the record. And we will get it to the reporter in due course.

And also, if you have no objection, we are aware and cognizant of an excellent feature article on you in The Washington Post. As a matter of fact, I think it was on the same day that I saw the article on Mr. Napolitano. So if you have no objection, if you consider it an unobjectionable article, we think it would be very helpful. Because we will have in the record I think a proper and an associated brief biographical sketch that would be helpful.

STATEMENT OF CUSHING N. DOLBEARE, PRESIDENT, NATIONAL LOW INCOME HOUSING COALITION

Ms. DOLBEARE. Thank you very much, Mr. Chairman.

I am delighted to have that article in the record. I will follow your suggestion and summarize my statement. Perhaps I should identify the two additional submissions for the record at the outset.

The first is a special memorandum prepared by the Low Income Housing Information Service, of which I am part-time executive secretary. LIHIS is an organization which does not take positions on housing matters, but we try to provide information on legislation and proposals that affect low-income housing, particularly to low-income people and low-income organizations so they can form their own conclusions about the policy positions and actions they want to take. The memorandum is a fairly extensive summary of the Reagan budget and its impact on low-income housing.

The second item which I would like to place in the record is a letter sent to the President on December 21, 1981, urging the President not to cut the low-income housing budget, but rather to expand low-income housing assistance and to regard low-income housing as one of the essential safety net programs for low-income people. The text of the letter is less important than the fact that that letter was signed by 111 national organizations and over 1,500 State and local organizations from every State in the Union, by a number of public officials.

And I should add perhaps, because it is not evident from the document, that these signatures were all collected within a matter of 10 days. When we sent out the draft, we said time was short. We realized people would have to react quickly, but low-income housing was facing an emergency and we hoped that they would respond. We had hoped to get 500 signatures if we were lucky, and we got more than three times as many as we had anticipated. That demonstrates that low-income housing is important to low-income people. Everybody has known this for years that it is important to the providers who build the housing and to the people who manage the housing, to city governments and administrators who administer the housing.

But there has been a general perception, I think, that low-income housing did not enjoy the same kind of broad general support from people who cared about what happens to other people as the hunger programs, health programs, and other programs. And I think that this letter is a very clear demonstration, because it was signed by religious organizations, it was signed by neighborhood associations, it was signed by labor unions, it was signed by civil rights groups, it was signed by a broad array of organizations from every walk of life and every possible political perspective.

I think that demonstrates as nothing else in my 30 years in housing has that there is a real constituency for doing something effective about meeting the housing needs of low- and middle-income people.

My prepared statement is in four parts:

First, and I spent the most time on this particular part, I took a look at the most recent statistics I could find, most particularly a document which HUD published last week, the 1980 Financial

Characteristics of the Inventory volume of the annual housing survey, and one which came out about 6 weeks ago, General Housing Characterstics as of 1979, which shows major changes in the housing inventory that have taken place in the period from 1970 through 1979.

And I was struck all over again at the seriousness and the intensity of the housing problems of low-income people. The decade of the 1970's was a decade of substantial housing progress for most American families. But it was a decade in which low-income families found themselves getting further and further behind.

Some figures on housing costs demonstrate this. The cost of housing overall increased far more rapidly than household incomes. Median income for owners between 1970 and 1979 increased by 89 percent. Median value of owner-occupied houses increased by 175 percent. Median income for renters increased by 58 percent. Median rents increased by just over 100 percent.

And one of the other things that happened is that the gap between median owner income and median renter income widened. Increasingly, people who rent housing are people who cannot afford to own. Most particularly, they cannot afford new housing.

In 1970 the median rent for households with incomes below $3,000—and of course there were a lot more households with incomes below $3,000 in 1970 than there are now—the median rent was less than $85 a month. You cannot group these things too well. It was $79 for households with incomes below $2,000. It was $85 a month for households with incomes between $2,000 and $3,000. Now, $85 a month median rent is 34 percent of $3,000.

By 1979 the median rent for households in that same income range—and there were still almost 3 million of them—for households with incomes below $3,000 was $179 a month. And $179 a month is 72 percent of $3,000.

That is what happened to the housing situation of the very lowest income people in this country. Moreover, even if the housing situation were perfect in all other respects: even if we had gotten rid of substandard housing; even if all of the less expensive low-rent units were occupied by households with the lowest income; even if the sizes matched up; even if a lot of other extraneous things which we know not to be true were in fact true, the basic fact is that there are twice as many households with incomes below $3,000 as there are units which they can afford.

That in our view is the most critical housing problem we face. That gap is wide. That gap is growing.

My testimony recites on pages 2 and 3 some of the characteristics of those 2.7 million renter households with incomes below $3,000. About half of them were single individuals. But 51 percent were in households of two or more. And in 1979 the poverty level for a household with two people in it was over $5,000 a year.

Five percent were in households with five or more, and that poverty level was close to $10,000 for a household of five or more in 1980. Thirteen percent were married. Twenty-seven percent had children under 18, and 6 percent had 3 or more children under 18.

Fifty-two percent had moved in the last year, and part of that is the kind of insecurity that comes from having a very low income

and being unable to find any kind of affordable rent other than in subsidized housing.

Fifty-nine percent in fact paid more than 60 percent of their incomes for rent, and only 4 percent paid less than 25 percent of their income for rent.

I could go on and on, but you know that picture. And in addition to those 2.7 million households, there were another 3.3 million households with incomes above $3,000, but still below the poverty level as officially defined, and another 5 million owner-occupants with incomes below the poverty level.

In other words, there are 11 million households—or were in 1980 and the number has gone up slightly since then—with incomes below the poverty level.

Now, 1982 marks the 45th anniversary of the passage of the Housing Act of 1937, when we began providing subsidized housing in an organized way for low-income people. And in all of those 45 years we have provided fewer housing units subsidized for low- and moderate-income people than the number of unsubsidized units provided by the private sector in 2 good years back to back.

I sometimes wonder why I spend so much time and energy and so many of the rest of you spend so much time and energy in trying to expand this really pitifully low level of low-income housing programs. But those programs, inadequate as they are in scale, have made a difference.

For example, while only 11 percent of all rental units are subsidized, almost three-fifths of the units renting for less than $100 a month are subsidized, and so are one-fifth of all of the units renting for between $100 and $150. I hate to think what low-income families would be faced with if those subsidized units did not exist.

In passing I might note that we may find out before too long.

Subsidized housing provides shelter for almost one-quarter of all very poor renter households, and I am using the poverty income level as "very poor." Almost one-third of all very poor elderly renters live in assisted housing, as do comparable percentages of poor black renters and female-headed renter households. Hispanic households and white households are less well served.

Finally—and you will hear more about this later, I am sure—a higher proportion of low-income households in center cities than in rural areas is living in subsidized housing.

We hear a lot about the cost of Federal housing programs and low-income housing programs. I would just like to emphasize one very simple point: There would be no need for low-income housing programs if providing shelter did not cost a whole lot more than low-income people can afford to pay.

Instead of focusing on the high cost of these programs and how much we are spending on them—and the expenditures are substantial—we ought to take a look at it from a different perspective and consider how little, after 45 years of effort, we are in fact spending on providing housing assistance for low-income people.

For one thing, outlays for low-income housing assistance have never in any year been even 1 percent of total federal outlays. For another thing, the cost of housing-related tax expenditures—entitlement programs for middle- and upper-income homeowners, and investment incentives for investors in housing—the cost of those

expenditures to the Treasury in 1981 alone was more than the cumulative outlays of all of the low and moderate income housing programs that HUD and its predecessor agencies have subsidized since 1937.

Moreover, for those who may be concerned with the quarter of a trillion dollars of committed budget authority for low-income housing that runs through the rest of this century and into the next century, they are tiny compared to tax expenditures if we were to project the cost of the homeowner deductions, which nobody seems to show much serious interest in capping. The Senate in December passed a resolution 83 to nothing saying they are not going to be touched.

If we projected those costs over the same period, they would be in the trillions of dollars, depending upon the assumptions. I have done them and depending upon the assumptions it comes out anywhere from $3 to $8 trillion over the same period that we have this quarter of a trillion for low-income people.

I think it is important to keep our priorities in perspective. Pages 5 and 6 of my testimony are devoted to some statements about the administration's housing programs. I will review those very quickly and be glad to answer questions if you have them.

In brief, the administration's housing proposals are a disaster. As I was commenting before the meeting, in 1973 President Nixon turned off the faucet on low-income housing; now President Reagan seems to be proposing draining the pipes as well. [Laughter.]

If these proposals are adopted, hundreds of thousands of low-income units already approved for subsidy will never be built or rehabilitated. We would have a net reduction of 300,000 households in the number of households who will receive housing assistance compared to what we would get if we simply had a moratorium and did not do anything, including not having any rescissions.

Rents for the 3 million families living in lower income housing would be sharply increased. By counting food stamps as income and by setting a minimum rent equal to utilities, these proposals hit low-income people hardest.

At the top of page 6, I would like to call your attention to something which we now have some statistical basis for claiming, which the National Low Income Housing Coalition, based upon various reports from our members, has been making for some years. On the amount which tenants in subsidized housing are in fact paying for rents, there is an analysis in the back of that 1980 annual housing survey volume which shows rents paid by tenants, all tenants and tenants in unsubsidized housing. And if you subtract one from the other you can find out the proportion of income in rent that subsidized tenants pay.

According to this survey, 16 percent of renter households living in subsidized housing today pay more than 50 percent of their incomes for shelter. One-quarter pay more than one-third of their incomes for shelter. That is because, in spite of the Brooke amendment, in spite of other controls, utility allowances have not been adequate. Other charges have been added, so that in fact tenants living in subsidized housing are paying rents that often are as high

or higher as a proportion of their income as tenants in unsubsidized housing.

We believe that the original intent of the Brooke amendment should be restored and that at the very least the Congress should take a serious look, get some hard information on what tenants in subsidized housing are now paying for rents, before revising those rent-income ratios and making them worse.

Our third major point about the administration's proposals is that their new so-called voucher program, because of the way that they are calculating fair market rents or the payment standard, would result in a payment standard which is somewhere between 80 and 85 percent of current fair market rents under the section 8 program.

Now, a couple of weeks ago I was involved in some training seminars for section 8 program administrators and there were dozens of them there from all parts of the country. I asked them how many of them felt that a significant proportion of their clients, not a majority but a significant proportion of their clients, could find housing if they were able to search out housing in their own communities, as is proposed under this voucher program, and the payment standard was 80 percent of the present section 8 fair market rent.

Not a single person in those two audiences—there were two seminars, 100 people or so at each time—not a single person thought that that program would be workable in their own communities.

Now, it is one thing to say, OK, let us set up a payment standard, let us provide a voucher that covers the difference between what the tenant contribution is supposed to be and what housing costs in the market area, and then let us give some people some flexibility to find other housing: If they want to pay more they can; if they want to pay less they can. I have personally espoused that kind of approach to subsidizing the existing housing stock since the middle 1960's.

But it is something quite different to say, let us do that, but let us only make the payment standard 80 percent of what housing actually costs in that area. That means you are really loading a hidden rent increase onto the tenant.

Beyond these matters, under the administration's housing proposals, some public housing projects would have to close because of lack of operating subsidies. Some of them are being proposed for demolition. Homeowners facing default would no longer receive housing counseling services; 150,000 families living in rent supplement housing with long-term contracts would have those contracts replaced by shorter term contracts.

The rural housing programs of the Farmers Home Administration got off easy this year. They only had a two-thirds cut. But next year they are proposed for elimination.

Finally, I would like to make a few comments on H.R. 5731, the Gonzalez bill. We welcome this effort to design a counterproposal which will effectively address our current housing situation, and we hope that this will be ultimately a bipartisan and successful effort. While we generally endorse the direction of the Gonzalez bill, we recommend a number of changes.

First, considering the enormous needs of low-income people, which I have already described and stressed, we believe the level of low-income housing assistance provided in the bill should be increased.

Second, we believe that funds should be provided for section 8 new construction and rehabilitation at least sufficient both to maintain present commitments and to continue funding for nonprofit, community-based and limited equity organizations that have begun to use the section 8 new construction and substantial rehabilitation program in some volume in doing neighborhood-based housing activities. This is particularly important in order to prevent further displacement and to stabilize neighborhoods.

And finally, we believe that rental housing production should be given greater emphasis than single family production, and that the rental production program proposed in H.R. 5731 should be improved in three respects:

First, by requiring that 40 percent of the units that are built, at least 40 percent be subsidized for low-income households;

Second, giving clear priority to proposals which provide higher levels for low-income people;

And third, requiring that all low-income units remain as rental units for 30 years unless sold under limited equity arrangements to their occupants.

There are also some long-range proposals at the close of my testimony. We think that the current situation should not blind us to where we ultimately ought to be heading in dealing with the low-income housing problems. In particular, we would reiterate our call for providing housing assistance as an entitlement to low-income households and for coupling that approach—an income-based support mechanism coupling that approach with the necessary expansion of production and preservation programs to meet those low-income housing needs which cannot be met by an income support program alone.

We urge this committee to remember that housing is more than bricks and mortar. Our housing is where we live. It shapes our lives, our families, and our communities. The importance which we give to housing reflects our values as a society.

Do we care that millions of children just live in homes and neighborhoods that violate basic standards of safety and decency? Do we care that millions of old people must end their lives without dignity or the assurance of a sound roof over their heads and heat in their homes? Do we still believe that the Federal Government must play a role in ending injustice and in providing resources and assistance where no one else can do so?

The National Low Income Housing Coalition is convinced that the answers to these questions can and must be a resounding yes.

Thank you very much, Mr. Chairman.

[The following material was submitted by Ms. Dolbeare for inclusion in the record: "Meeting Our Low Income Housing Needs," a prepared statement; a special memorandum from the Low Income Housing Information Service "The Reagan Budget and Low Income Housing"; a statement before the Senate Banking Committee on

April 15, 1982, "Maintaining and Expanding Low Income Housing Assistance"; a paper "The Housing Budget and Low Income Housing Needs"; a letter to President Reagan from National Low Income Housing Coalition Chairperson Edward W. Brooke, dated December 21, 1981, signed by national, State, and local organizations and public officials, urging the President not to cut the low-income housing assistance budget; and the referred-to Washington Post article of March 6, 1982, "Cushing Dolbeare Champions Low-Income Assistance." The material follows:]

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Hon. Edward W. Brooke, *Chairperson* Cushing N. Dolbeare, *President*

MEETING OUR LOW INCOME HOUSING NEEDS

Statement of Cushing N. Dolbeare, President, National Low Income Housing Coalition before Subcommittee on Housing, Committee on Banking, Housing, and Urban Affairs, March 16, 1982

This is, by almost any measure, a grim time for housing advocates. It is particularly grim for those whose primary concern is low income housing. With new housing production at its lowest levels in decades; with all traditional forms of housing finance stagnating, or worse, and with unemployment in construction approaching 20%, it is all too easy to forget that the housing crisis for low income people is steadily worsening.

Moreover, it appears that neither the Administration nor Congress is ready to approve even the level of low income housing assistance that will be needed to keep the housing situation of low income people from getting steadily worse. Displacement continues -- even from subsidized housing. Homelessness is increasing, and affecting families as well as single people. The rise in energy costs is decelerating, but many low income people are unable to afford adequate heat. Unsubsidized private rental housing construction has dried up, and the Administration is in the process of attempting to retrieve subsidized units already in the pipeline.

This testimony will cover (1) the present housing situation of low income people, drawing on recently published Annual Housing Survey data for 1979 and 1980; (2) some observations on the cost of federal housing assistance, both directly and through the tax code; (3) the Administration's housing proposals and their impact; (4) the proposals contained in H.R. 5731, the Gonzalez bill.

THE HOUSING SITUATION OF LOW INCOME PEOPLE

For most Americans, the decade of the 1970's was marked by housing progress. The number of occupied housing units increased by almost one quarter (24.9%) between 1970 and 1979. Almost two thirds (65.4%) of all households owned or were buying their own homes. The number of units lacking plumbing facilities, a traditional measure of housing quality, dropped by 46%. While average household size fell sharply (from 3.0 to 2.6 persons for owner-occupied units and from 2.3 to 2.0 persons for renter-occupied units), housing units increased slightly in size. The number of units with three or more bedrooms increased by

one third. There were sharp increases in the number of elderly households, single-parent households (both male and female heads), and single-person households.

Unfortunately, the cost of housing increased far more rapidly than household incomes. Median income for owners increased by 89% (from $9700 to $18300) between 1970 and 1979, while median value rose by 175% (from $17,100 to $47100) during the same period. The income gap between owners and renters continued to grow. In 1970, median renter income was 65% of median owner income by 1979, it had dropped to 55%. As Table 1 shows there were more renters than owners at the very lowest income levels (below $7,000), while owners outnumbered renters by more than 10:1 in the top income brackets (above $50,000).

The very rapid recent rise in housing costs, particularly for low income renters, is shown in Table 4. While median rents for all renters rose by 21% in the three years from 1978 through 1980, median rents for very, very low income renters (below $3,000) rose by 38%. Moreover, at all income levels, the proportion of income spent for shelter was rising although the median was 25% or more only for households with incomes below $15,000.

While housing costs rose generally, both the amount and the impact of the increase was greatest for low income households. For example, while the number of renter households with incomes below $3,000 per year dropped from 5.8 million to 2.9 million between 1970 and 1979, the number of units in the stock at rents they could afford dropped by 75%, from about 5 million to less than 1.5 million.

Thus, there is a wide and growing "housing gap" for very low income people. Even if all other things were perfect which we know they are not, there are more than twice as many renter households with incomes below $3,000 as there are rental units available at 25% of their incomes. Even using a 30% rent-income ratio, there is a gap of more than 1.2 million units at the very bottom of the income scale. (See chart, and Tables 2 and 3).

What are the characteristics of these 2.7 million renter households with such very low incomes?

49% were single individuals, but 51% were in households with two or more people, and 5% had five or more.

13% were married couples; 6% were male-headed households; and 27% were female-headed households. 27% had children of their own under 18, and 6% had three or more.

20% were single, elderly people; but 29% were single, nonelderly individuals.

52% had moved within the last year and 84% had moved within the last ten years.

Only 19% lived in subsidized housing.

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59% paid 60% or more of their income for rent. Only 4% paid less than 25%.

46% lived in housing built before 1939.

10% lived in units lacking plumbing facilities. 4% were overcrowded.

29% were black; 8% were of Hispanic origin.

20% lived in the northeast; 27% in north central states; 37% in the south and 16% in the west.

46% lived in central cities; 31% lived in nonmetropolitan areas.All had incomes less than 75% of the poverty level.

In 1980 there were also another 3.3 million renter households with incomes above $3,000, but still below the poverty level. There were also 4.9 million owner-occupants below the poverty level.

1982 marks the 45th anniversary of the formal start of the public housing program, the adoption of the U.S. Public Housing Act of 1937. In more than four decades of a variety of low income housing programs, we have provided subsidies for fewer households than the private sector can put in new units in two consecutive good production years.

Small wonder, then, than fewer than one quarter of all households with incomes below the poverty level are living in federally assisted housing.

Even with this sorry record, our low income housing efforts <u>have</u> made a difference.

While only 11% of all rental units are subsidized, almost three fifths (57%) of the units renting for less than $100 monthly are subsidized, as are one fifth (22%) of the units renting for $100-149. Perhaps more important, as Table 6 shows, subsidized housing provides shelter for almost one quarter of all very poor renter households (incomes below the poverty level). Almost one third (32.7%) of all very poor elderly renters live in assisted housing, as do comparable proportions of very poor black renters (33.1%) and female-headed renter households (31.2%). Very poor Hispanic households and white households are less well served: 17.7% of very poor Hispanic renters and 20.0% of very poor white renters are in subsidized housing. Finally, it should be noted that public housing serves poor renters living in cities better than those elsewhere: 29.4% of very poor renters in central cities live in subsidized housing, compared with 19.4% outside of metropolitan areas.

THE COST OF FEDERAL LOW INCOME HOUSING PROGRAMS

There has been much rhetoric, particularly in these times of concern

about the federal deficit, with the cost of low income housing programs. There is a threefold problem here: (1) to provide adequate levels of assistance; (2) to identify what low income housing really costs; and (3) to avoid waste and unnecessary costs.

There would be no need for low income housing programs if providing shelter did not cost more than low income people can pay. This truism is worth underscoring. Ignoring it leads to efforts to save money by either serving a higher income group -- bypassing the poorest households -- or in cutting back on assistance levels so that projects become unviable. Our present inventory of assisted housing is a valuable national resource which would cost many times as much to replace as it would to maintain it adequately.

Instead of focussing on the high cost of budget authority for low income housing -- a freak of the budget process which seriously jeopardizes our capacity to expand housing assistance -- let us consider how little, after 45 years, we are spending for this major human need.

- Outlays for low income housing assistance have never, in any year, been even 1% of total federal outlays.
- The cost of housing-related tax expenditures to the Treasury in 1981 alone exceeded THE CUMULATIVE OUTLAYS for low income housing assistance under all of the programs of HUD and its predecessor agencies from the adoption of the U.S. Public Housing Act of 1937 through 1981.
- Compared to the anticipated cost of housing-related tax expenditures, primarily home owner deductions, the $250 billion in budget authority committed to long-term contracts for federal housing assistance is almost trivial. Unless constrained, and neither Congress nor the Administration appears inclined to address this issue, foregone revenues for the rest of this century will be many trillions of dollars.

There are ways of reducing the cost of housing assistance for low income people. One of the most effective approaches would be to focus the provision of housing assistance to individual households, on the one hand, and to public, nonprofit, and limited equity housing owners on the other.

THE ADMINISTRATION'S HOUSING PROPOSALS

Low income housing bears the brunt of the $56 billion in budget cuts proposed by President Reagan. Measured in "budget authority", or spending commitments, the 1983 budget provides $32 billion less than "current services", or the amount needed to maintain federal programs at their present levels. However, since there is a $30 billion increase above current services in budget authority for national defense, the total cut in all other programs is $62 billion.

$23 billion, or 37%, of this cut comes from low income housing programs. This is by far the largest cut proposed for any activity of the federal government. In fact, it is almost $5 billion more than the combined total of all the other cuts in education, training, employment, social services health including Medicare and Medicaid), food stamps, welfare and other income security, safety net programs. Indeed, the 1983 increase in the military budget could be funded out of the 1982 and 1983 low income housing cuts alone.

In short, the Reagan Administration would reverse the slow progress we have been making in expanding low income housing programs and, instead, curtail the present level of assistance, particularly for new or rehabilitated assisted housing units. It would get rid of many existing subsidized units. And it would raise rents to the point where federally subsidized low income housing may cost more than unsubsidized housing.

If adopted by the Congress, the impact of the budget and legislative proposals would be disastrous for low income people.

- Hundreds of thousands of low income units already approved for subsidy will never be built or rehabilitated, because the subsidy commitments will be withdrawn.

  The Administration proposes cancellation of hundreds of thousands of commitments for new or rehabilitated housing units, already approved under the Section 8 and public housing programs. A net total 300,000 of the 700,000 units now "in the pipeline" would be lost forever. This loss comes at a time when the stock of affordable rental housing units is shrinking rapidly and almost one fifth of all construction workers are unemployed.

- Rents for the 3 million families living in lower income housing would be sharply increased. The Administration will propose legislation to require tenants to pay their entire utility bills and to count food stamps as income. This could double or treble rents for many households. Moreover, all present deductions from income would be ended. Rent increases would be phased in over five years (the present 10% cap on rent increases would be raised to 20%).

  These proposals hit hardest on very low income people, who receive the maximum food stamp allotments Their rents would go up by $50 or more. People in states with low welfare grants would be worst off. In Mississippi, for example, a mother on welfare with two children would have only $10 left over each month after paying 30% of her combined cash-and-food-stamps as rent. (That is, as long as Mississippi does not exercise the option, given to states last year, of reducing welfare grants to households living in assisted housing by the amount of the shelter portion of the grant -- in which case, the rent in subsidized housing

would greatly exceed cash income.)

The proposal that tenants pay the full cost of their utilities is even worse, particularly in cold climates or older, poorly insulated projects, where utility bills average well over $100 per month. The National Low Income Housing Coalition, and others have long contended that subsidized housing residents in fact often pay far more than 25% of their incomes for rent, because of the inadequacy of utility allowances Now the Bureau of the Census confirms this view As Table 5 shows, 16% of households living in subsidized housing paid more than 50% of their incomes for shelter, and one quarter paid more than one-third of their incomes.

We urge Congress to review these facts and actual rent-income ratios and to restore the original intent of the Brooke amendment, which was to limit housing expenditures, including utilities, to 25% of income.

o Federal rent subsidies would be reduced by 15-20% in the Section 8 existing program and tenants would have to pay the extra costs out of their own pockets, along with the increased rents. It would be even harder for large households to find quarters.

This would be done under the "modified Section 8 existing program" by giving certificates that cover the difference between 30% of tenant income and a reduced fair market rent (about 15-20% below present levels because of changes in how it would be calculated). Tenants would then negotiate their own rents, paying less if they could find a place for less; paying the extra if they couldn't.

As proposed by the Administration, this constitutes a hidden rent increase for tenants being switched to the new program. I have queried a broad range of Section 8 housing administrators -- attending two training conferences -- on whether their clients could find housing in their communities at 80% of current fair market rents. Not one thought it would be possible.

Moreover, there is clear evidence, both from the Experimental Housing Allowance Program and the Section 8 existing program, that vouchers can meet only a part of the low income housing needs They serve households, essentially, whose primary problem is affordability. But they do not provide shelter for households the private market is unwilling or unable to serve large families, single-parent families, minority families. Even at present fair market rents, half of all households receiving Section 8 certificates are unable to find units within their alloted

time period of sixty days. The proportion is far higher for minorities, female-headed households, and households now living in substandard housing.

There is no provision in this new voucher program to provide annual adjustments for rent increases. Expiring Section 8 existing contracts are to be converted to the new program.

- o Some public housing projects would have to close. Services and maintenance would have to be curtailed in those remaining open. Several thousand low income families living in public housing would be displaced because their homes would be demolished The level of operating subsidies for public housing is simply inadequate to maintain it: about two thirds of estimated need.

- o Homeowners facing default would no longer receive housing counseling to assist them in retaining their homes. The housing counseling program would be ended.

- o 150,000 families living in rent supplement projects would have no assurance, beyond five years, that they would receive housing assistance. Present rent supplement contracts would be ended, and tenants given vouchers instead.

- o The rural housing programs of the Farmers Home Administration would be cut to one-third of their present level. They are to be virtually terminated in 1984.

These proposals are made at a time of housing crisis. New production is at its lowest level in two generations. Rents in the private market are beyond the reach of the millions of low income households these programs were intended to help.

In short, the budget proposals offer no hope to low income people: either to those now living in low income housing or to the hundreds of thousands more on the waiting lists. They must be rejected.

COMMENTS ON H.R. 5731 -- THE "GONZALEZ BILL"

The National Low Income Housing Coalition welcomes the effort to design a counterproposal which will effectively address our current housing situation. We hope that this will be a bipartisan and ultimately successful effort.

While we generally endorse the direction of the Gonzalez bill, we recommend a number of changes:

- o Considering the enormous needs of low income people, the level of low income housing assistance should be increased.

- o Funds should be provided for Section 8 new construction and

rehabilitation, at least sufficient to maintain present commitments and to provide additional Section 8 assistance to nonprofit, limited equity, and community based housing organizations so they can continue their low income housing activities.

- Rental housing production should be given greater emphasis than single family production. Moreover, the rental housing production program proposed in H.R. 5731 should be improved by (1) requiring that 40% of the units provided be subsidized for lower income households; (2) giving clear priority to proposals which provide higher levels for lower income people; (3) requiring that all lower income units remain as rental units for 30 years unless sold, under limited equity arrangements, to their occupants.

We urge your adoption of these recommendations and look forward to working with the Committee as it considers this important legislation.

WHERE NEXT: SOME LONGRANGE PROPOSALS

The National Low Income Housing Coalition believes that our national housing policy must start with the principle that affordable access to housing is a basic human right. This right must be firmly established as the basis for federal housing policy and programs. We believe the federal government has a fundamental responsibility to assure that everyone living in this country is able to obtain decent housing at affordable costs.The federal resources necessary to make this right a reality for low income people can and should be provided. To this end, we support:

- Adoption of an adequately funded entitlement, income based housing assistance program to enable low income people to obtain decent housing at costs they can afford.

- Expansion of production and preservation programs to meet those low income housing needs which cannot be met by an income-support program alone.

- A strong reaffirmation of the federal government's rolein guaranteeing fair access to housing by all citizens, including strengthening of the federal fair housing law and its enforcement.

- Restructuring tax policy to shift budgetary resourcesfrom those who have to those who do not. The federal cost of housing-related income tax expenditures now tops $40 billion annually -- more than five times the cost of housing assistance presently provided for low income people. The bulk of these tax expenditures benefit people in the top quarter of the income distribution.

- A strong role for community based, nonprofit organizations,

in the implementation of housing programs, along with the availability of federal assistance to meet a broad range of housing needs at the neighborhood and community level.

- A strong reaffirmation of the federal government's continuing commitment to retaining the current stock of federally assisted and insured housing, now occupied by low and moderate income people, for their use. This includes all present public housing, HUD-assisted, HUD-insured, and HUD-held units, as well as units assisted by the Farmers Home Administration. The necessary funds should be provided to maintain this housing in viable condition.

- Modification of monetary and credit policies to counteract the high financing costs for housing and the credit-related sharp fluctuations in residential construction which increase the costs, prices, and rents of all housing.

- A strong reaffirmation of the responsibility of the federal government to bring its resources to bear to prevent displacement of low income people from their homes and neighborhoods by either public or private action.

We urge this committee to remember that housing is more than bricks and mortar. Our housing is where we live: it shapes our lives, our families, and our communities.

The importance which we give to housing reflects our values as a society. Do we care that millions of children must live in homes and neighborhoods that violate basic standards of safety and decency? Do we care that millions of old people must end their lives without dignity or the assurance of a sound roof over their heads and heat in their homes? Do we still believe that the federal government must play a role in ending injustice, and in providing resources and assistance where no one else can do so? The National Low Income Housing Coalition is convinced that the answers to these questions can and must be "YES".

1980: Comparison of Renter Households and Affordable Units

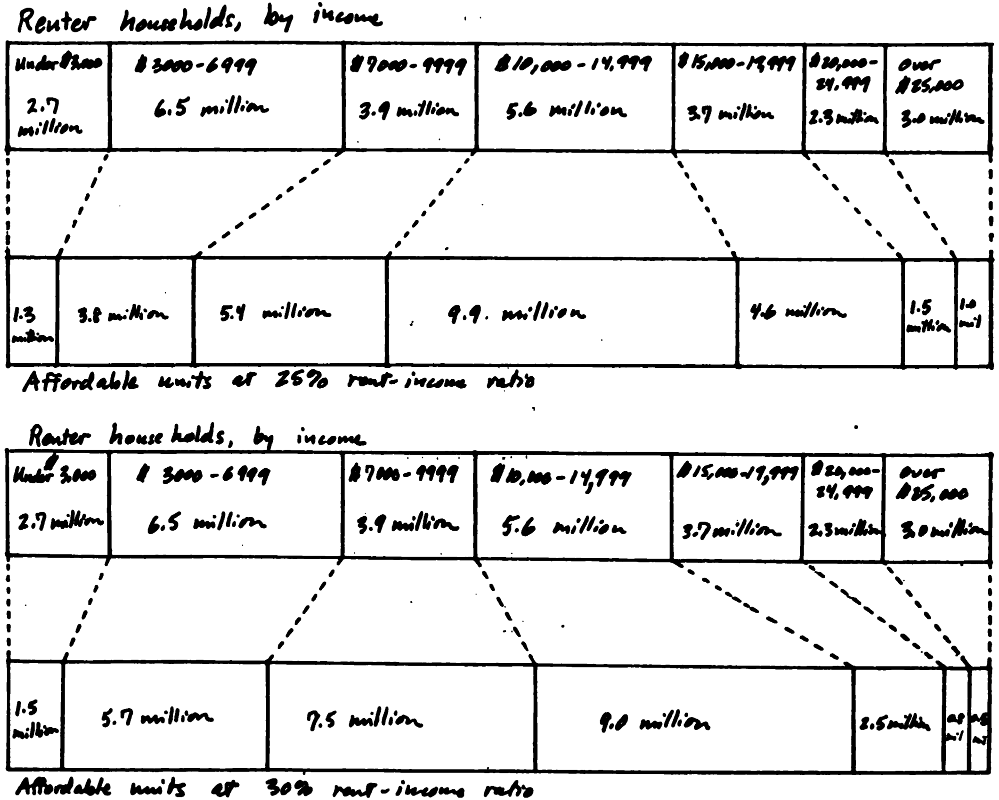

TABLE 1. Income distribution for owners and renters, by race, 1980. (Households in thousands).

Income	Owners	Renters		
		All	Black	Hispanic
$3,000 or less	2,155	2,748	788	232
$3,000-6,999	5,750	6,479	1,483	616
$7,000-9,999	4,367	3,862	697	422
$10,000-14,999	7,217	5,553	841	519
$15,000-19,999	6,977	3,672	477	264
$20,000-24,999	6,707	2,263	264	156
$25,000-34,999	9,814	1,984	203	101
$35,000-49,999	6,002	699	61	29
$50,000-74,999	2,445	207	13	4
$75,000 or more	1,082	88	-	6
Total	52,516	27,556	4,827	2,349
Median	$19,800	$10,600	$7,600	$9,300

Source: 1980 Annual Housing Survey, Part C, Financial Characteristics of the Inventory.

TABLE 1A. MONTHLY SHELTER COST AT 25% AND 30% OF INCOME FOR SELECTED INCOME LEVELS

Income	25%	30%
$3,000	$62	$75
$7,000	146	175
$10,000	208	250
$15,000	312	375
$20,000	417	500
$25,000	521	625
$35,000	729	875
$50,000	1042	1250
$75,000	1562	1875

TABLE 2. RENTER HOUSEHOLDS AND AFFORDABLE UNITS AT 25% RENT-INCOME RATIO, 1980.

Income	Households	Units	Gap/Surplus	Cumulative
$3,000 or less	2,748	1,301	-1,447	-1,447
$3,000-6,999	6,479	3,807	-2,672	-4,119
$7,000-9,999	3,862	5,415	+1,553	-2,566
$10,000-14,999	5,553	9,920	+4,367	+1,801
$15,000-19,999	3,672	4,576	+904	+2,705
$20,000-24,999	2,263	1,503	-760	+1,945
$25,000-34,999	1,984	814	-1,170	+775
$35,000 or more	994	215	-775	0
Total	27,556	27,556	-	-

Source: Estimated by NLIHC from data in Annual Housing Survey, Part C, Financial Characteristics of the Inventory.

TABLE 3. RENTER HOUSEHOLDS AND AFFORDABLE UNITS AT 30% RENT-INCOME RATIO, 1980.

Income	Households	Units	Gap/Surplus	Cumulative
$3,000 or less	2,748	1,513	-1,235	-1,235
$3,000-6,999	6,479	5,694	-785	-2,020
$7,000-9,999	3,862	7,496	+3,634	+1,614
$10,000-14,999	5,553	9,012	+3,459	+5,073
$15,000-19,999	3,672	2,545	-1,127	+3,946
$20,000-24,999	2,263	791	-1,472	+2,424
$25,000 or more	2,978	504	-2,494	0
Total	27,556	27,556	-	-

Source: Estimated by NLIHC from data in Annual Housing Survey, Part C, Financial Characteristics of the Inventory.

TABLE 4. CHANGES IN MEDIAN RENTS AND MEDIAN RENT-INCOME RATIOS

Income	Median Rent			Median rent-income ratio		
	1980	1979	1978	1980	1979	1978
$3,000 or less	$179	$147	$130	72+%	60+%	60+%
$3,000-6,999	187	172	165	47	44	42
$7,000-9,999	222	205	193	32	31	29
$10,000-14,999	249	232	214	25	24	22
$15,000-19,999	274	252	233	20	18	17
$20,000-24,999	296	277	256	17	16	14
$25,000-34,999	327	303	284	14	13	13
$35,000-49,999	362	337	326	12	11	11
$50,000-74,999	393	401	347	9-	10-	8-
$75,000 or more	423	359	283	7-	6-	5-
All renters	241	217	200	27	26	25

Source: Annual Housing Survey,
Part C, Financial Characteristics of the Inventory. Ratios above
60% or below are NLIHC estimates.

TABLE 5. COMPARISON OF RENT-INCOME RATIOS FOR SUBSIDIZED AND UNSUBSIDIZED HOUSING TENANTS, 19800

Rent-income ratio	Subsidized		Unsubsidized	
	No.	%	No.	%
Under 10 percent	117	4.0	1,114	5.1
10-14 percent	228	7.8	2,605	11.8
15-19 percent	445	15.1	3,570	16.8
20-24 percent	664	22.6	3,153	15.9
25-34 percent	644	22.6	4,269	20.5
35-49 percent	292	10.0	3,207	14.6
50-59 percent	91	3.1	1,149	5.2
60 percent or more	385	13.1	3,358	15.6
Not computed	65	2.2	1,518	6.6
Total/median	2,932	25	23,942	27

Source: Annual Housing Survey,
Part C, Financial
Characteristics of the Inventory.

TABLE 6. WHO LIVES IN SUBSIDIZED HOUSING, 1980

	Total	Below Poverty Levels	
		Below 100%	Below 125%
All households			
Total	82,368	10,968	15,557
Renter-occupied	16,487	6,063	8,153
Living in subsidized housing	2,777	1,430	1,866
Percent of renters	10.4%	23.6%	22.9%
Households with children under 18 years old			
Total	34,329	4,928	6,607
Renters	10,036	3,126	3,949
Living in subsidized housing	1,297	787	917
Percent of renters	12.9	25.2	23.2
Householder 65 or over			
Total households	16,912	3,188	5,137
Renters	4,128	1,237	1,931
Living in subsidized housing	956	405	652
Percent of renters	23.2%	32.7%	33.8%
White householder			
Total households	71,872	7,828	11,593
Renters	21,135	3,934	5,549
Living in subsidized housing	1,612	745	1,029
Percent of renters	7.6%	20.0%	18.5%
Black householder			
Total households	8,847	2,864	3,588
Renters	4,618	1,941	2,383
Living in subsidized housing	1,075	643	771
Percent of renters	23.6%	33.1%	32.8%
Spanish-origin householder			
Total households	3,906	956	1,317
Renters	2,085	685	908
Living in subsidized housing	223	121	155
Percent of renters	10.7%	17.7%	17.1%

SPECIAL MEMORANDUM

Low Income Housing Information Service

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THE REAGAN BUDGET AND LOW INCOME HOUSING

The Administration has sent Congress a subzero housing budget that will leave low income people out in the cold for years to come. The proposed cuts in low income housing account for more than one-third of all the cuts in the budget Not only will the proposals reduce the number of low income people to receive housing assistance, they include major rent increases for all tenants living in HUD-assisted housing.

The budget proposals for the low income housing programs of the Department of Housing and Urban Development clearly have two objectives:

First, tenants are to bear the major burden of cutting housing outlays. This would be done primarily through redefining "income" for the purpose of calculating tenant contributions and by lowering the "fair market rents" on which the amount of the subsidy in existing units is based.

Second, funds already appropriated for additional low income housing are to be recaptured. This is to be done by (1) rescinding the 1982 appropriation for newly constructed or substantially rehabilitated units; (2) cancelling projects now in the pipeline" for which subsidy commitments have been made; and 3 converting present long-term subsidy contracts, where possible, to short-term contracts with a reduced subsidy base. With the exception of 10,000 units for the elderly and 30,000 units for a new rental rehabilitation program, and some public housing modernization, all recaptured funds are either to be retu ned to the Treasury or used to convert present subsidies to shorter terms or lower amounts. Budget authority for low income housing to be rescinded totals $16.4 billion for 1982 and 1983 alone. Rescissions are projected to continue through 1986.

The rural housing programs of the Farmers Home Administration (FmHA) fare slightly better sustaining a two-thirds cut in program level for 1983, but they are slated to be virtually terminated in 1984.

This Special Memorandum describes the broad outlines of the Reagan budget and how it will be considered by Congress. It then discusses

the housing provisions, both urban and rural. Information on housing-related tax expenditures is also included, as are a series of tables.

THE BROADER BUDGET CONTEXT.

The federal budget is the best single statement of the priorities and proposals of any Administration. The Reagan 1983 budget continues most of the main themes enunciated last year, with one major exception: it projects a huge deficit: $98.6 billion in 1982 and $91.5 billion in 1983. Total spending in 1982 is estimated at $725.3 billion, with receipts at $626.8 billion. 1983 spending would be $757.6 billion, with receipts at $666.1 billion. However, many others have estimated that receipts will be lower, spending higher, and the deficit bigger.

This is because the budget rests in large part on a series of economic assumptions. The Reagan budget projects 1983 fourth quarter unemployment 7.6%, compared to an expected 4th quarter 1982 rate of 8.4%. Inflation, measured by change in the consumer price index, is projected at 5.1% in 1983, a drop from 6.6% in 1982 and 9.4% in 1981. Interest rates on Treasury bills are assumed to drop from an average of 11.7% in 1982 to 10.5% in 1983 (compared to 14.1% in 1981).

The economic assumptions of the Congressional Budget Office (CBO) are very different. CBO's "baseline" projection for 1983 is for an unemployment rate of 8.0%, an inflation rate of 6.9%, and interest rates at 13.2%. Even the CBO "optimistic alternative" for 1983 is less optimistic than the Reagan figures: unemployment at 7.6%, inflation at 6.4%, and interest rates at 10.7%. The CBO "pessimistic alternative on the other hand, projects unemployment at 8.5%, inflation at 7.6% and interest rates at 14.3%.

Based largely on these projections, CBO has estimated future revenue and federal spending trends, assuming "current services" or that the federal government, except for expanding defense, continues the same set of programs as are now in place (but allowing for inflation and additional participants as our population grows). Using these "baseline projections," CBO finds a widening gap each year through 1987 between receipts and outlays.

If CBO is right, the 1982 deficit will be $109 billion; the 1983 deficit, $157 billion; and the 1987 deficit, $248 billion. This is more than four times the Reagan deficit of $53.2 billion projected for 1987. Part of the difference between the Reagan and CBO projections is because of the program changes which the Reagan budget proposes, but most of it is the result of different assumptions about what the economy will do. These are far more significant in their impact than any program changes except the defense increase.

The failure of the economy to respond as Reagan predicted to last year's tax cut is a major factor in the deficit. The "supply side" theory behind the cut was that it would stimulate saving, investment, and consumption and that a healthy economy would provide more tax revenues, even though tax rates were substantially lower, than would

Table A. Federal Budget Trends, 1981-1987.
(Dollars in billions)

	1981	1982	1983	1985	1987
Amount					
Defense	$159.8	$187.5	$221.1	$292.1	$364.2
Entitlements	292.0	324.9	341.5	386.4	437.9
Interest	68.7	83.0	96.4	100.8	93.2
All other	136.7	129.9	98.7	89.2	83.5
Total	657.2	725.3	757.6	868.5	978.9
Percent					
Defense	24.3%	25.9%	29.2%	33.6%	37.2%
Entitlements	44.4%	44.5%	45.1%	44.5%	44.7%
Interest	10.5%	11.4%	12.7%	11.6%	9.5%
All other	20.8%	17.9%	13.0%	10.3%	8.5%
Total	100.0%	100.0%	100.0%	100.0%	99.9%
Percent change from 1981					
Defense	--	+17.3	+38.4	+82.8	+127.9
Entitlements	--	+11.3	+17.0	+32.3	+50.0
Interest	--	+20.8	+40.3	+46.7	+35.7
All other	--	-5.0	-27.8	-34.5	-38.9
Total	--	+10.4	+15.3	+32.2	+49.0

Adjusted for inflation:

	1981	1982	1983	1985	1987
Amount					
Defense	159.8	173.4	191.3	225.2	247.7
Entitlements	292.0	300.5	295.4	297.9	297.8
Interest	68.7	76.8	83.4	77.7	63.4
All other	136.7	120.2	85.4	68.8	56.8
Total	657.2	670.9	655.3	669.6	665.7

	Percent Change		
	1981-83	1983-87	1981-87
Defense	+19.7	+29.5	+55.0
Entitlements	+1.2	+0.8	+2.0
Interest	+21.4	-24.0	-7.7
All other	-32.5	-33.5	-58.4
Total	-0.3	+0.1	+1.3

Source: Calculated by Low Income Housing Information Service from data contained in Part 3, Budget of the United States Government, Fiscal Year 1983. Adjustment for inflation is based on changes in the Consumer Price Index assumed in the budget.

have come in without the tax cut. The Reagan budget assumes that the problem now is timing: it is taking longer than they thought, but it will happen by the end of the year. If it doesn't, look for deficits in the CBO range.

The Reagan deficit, though the largest in history, does not signal Administration acceptance of deficit spending. Rather, it is a bow to the inevitable. The pressure to cut everything except defense is evident, as is the continuing shift in national priorities. The dramatic shift away from discretionary programs, like housing, to defense is shown in Table A.

Over the seven years from 1981 through 1987, if the Reagan budget plans hold, defense spending will increase by $204 billion and entitlement spending by $146 billion, while spending on "all other" would drop by $53 billion. Defense would more than double, entitlements would be half again as large, interest would increase by one third but "all other" would drop by almost two fifths. By 1987, defense would account for three-eighths of all federal expenditures, compared to one quarter in 1981. "All other" would drop from one fifth in 1981 to less than one tenth by 1987.

The changes are even more dramatic if the figures are adjusted for inflation. If this is done, defense increases by almost 20% between 1981 and 1983, and another 30% between 1983 and 1987, while "all other" drops by one third in the two years between 1981 and 1983 and another third by 1987.

"All other" includes most of the programs which serve low income people. Low income housing is in the "all other" category. So are education, employment, social services, health (except medicare and medicaid), community development, transportation, energy, and research.

Among the predominantly low income programs, only food stamps, child nutrition, SSI, AFDC, and Medicaid are entitlements After adjusting for inflation entitlement spending grows by only 2% between 1981 and 1987, not nearly enough to keep pace with population growth. In other words, there are cuts here, too. Without them, entitlement growth would be at least $35 billion more than the Reagan projections.

Almost one-third (32.6%) of the entitlement savings come from low income programs listed above, although in 1981 these programs accounted for only $48.9 billion, or one sixth (16.7%) of all entitlement spending.

CONGRESSIONAL REACTION TO THE BUDGET

Congressional reaction to the budget has focussed on two things: the deficit and the proposed increase in defense spending. There is also a lot of scepticism about the economic assumptions, with many members believing the CBO assumptions to be far more realistic.

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Senate minority leader Robert Byrd has urged the President to withdraw the budget and resubmit it with the tax cuts reduced, defense reduced, some human services cuts restored, the economic assumptions revised, and the deficit "more acceptable".

Senator Ernest Hollings (D, SC), ranking minority member of the Budget Committee caused a stir of interest by proposing a bipartisan approach of freezing most of the 1982 budget in place. The basic elements of his approach are: (1) holding defense at the 1982 level for 1983 and providing 3% real growth thereafter; (2) skipping all 1983 cost of living adjustments for entitlement programs, including social security and food stamps, and changing the formula to reduce future increases; (3) skipping the 1983 pay increase for federal employees; and (4) deferring the scheduled 1982 and 1983 individual income tax cuts. These changes would reduce the deficit from the CBO estimate of $157 billion in 1983 to $42 billion, and the budget would be balanced by 1985.

Senate reaction to the Hollings proposal has been positive. Majority leader Baker welcomed it as "interesting and worthwhile." Other Senators from both parties have expressed interest in the approach. And, while skipping the cost of living adjustment for entitlements would hurt low income people, the proposal would avert the devastating cuts proposed for low income housing and many other programs.

President Reagan is reported to have been told by the Senate Republican leadership that his budget cannot pass because of the huge deficits it contains. There are as a pract cal matter, only three things which can have major impact on the deficit: increasing taxes (or delaying the tax reductions scheduled for 1983), cutting defense, or a major improvement in the economy. Congress can deal with the first two, but with the President apparently implacably opposed to major changes.

This is a recipe for stalemate. But, despite statements of concern from Senators and Representatives of both parties about the deep cuts in domestic programs, there is no indication either that cuts made last year will be restored or that further cuts -- though not as deep as Reagan wants -- can be avoided.

TIMETABLE FOR CONGRESSIONAL ACTION. The House and Senate Budget Committees will begin hearings on the budget in late February. Recommendations on proposed program levels are due to be sent to the Senate Budget Committee by all other Senate Committees on or before March 8. The House deadline is March 15.

The First Budget Resolution for 1983 is due to be reported out by the Budget Committees by Apri 15 and to be passed by May 15. Congress must also pass a Third Budget Resolution for 1982. The two may be done in the same resolution.

The Budget Resolution will set overall limits, by function and subfunction, for all parts of the budget. As a practical matter, it will set a ceiling on the amounts available to each committee as it

proceeds with program renewals and appropriations. This goes on at the same time the budget resolution is being considered because, under the rules, all authorizing legislation must be reported out of committee by May 15.

Both House and Senate Banking Committees, which handle housing legislation, will probably begin hearings in March. They will not make decisions on this year's housing legislation until some time in April or May.

Last year, the Senate Banking Committee held its authorizations at or below the ceiling set by the budget resolution as adopted by the Senate (even though the final resolution had not been agreed to between House and Senate). The other Senate committees did the same. In contrast, both the Housing Banking Committee and other House committees ignored the levels of the House Budget Resolution in dealing with authorizing bills. Then, of course, all these bills were absorbed in the Omnibus Reconciliation Act.

WHERE THE AXE WOULD FALL

Low income housing bears the brunt of the $56 billion in budget cuts proposed by President Reagan. Measured in "budget authority", or spending commitments, the 1983 budget provides $32 billion less than "current services" or the amount needed to maintain federal programs at their present levels. However, since there is a $30 billion increase above current services in budget authority for national defense, the total cut in all other programs is $62 billion. (Table B shows current services and Reagan budget levels for all major budget functions and selected subfunctions affecting low income or human service programs. It also shows all proposed increases of $100 million or more.)

$23 billion, or 37%, of this cut comes from low income housing programs. This is by far the largest cut proposed for any activity of the federal government. In fact, it is almost $5 billion more than the combined total of all the other cuts in education, training, employment social services, health (including Medicare and Medicaid), food stamps, welfare, and other income security, safety net programs. Indeed, the 1982 and 1983 low income housing cuts would be more than enough to fund the entire 1983 increase in the defense budget if the Administration's program carries unchanged!

To give you a sense of what has been increased and where the major cuts fall, Table B shows changes in budget authority from current services levels for all major budget functions and selected subfunctions indented) and programs (indented again). The table includes <u>all</u> the increases of $100 million or more.

The "budget authority" in the table is the total amount of additional spending that would be authorized, regardless of when it is spent. Because of the way this is calculated, budget authority for low income housing is very high because it is the total subsidy for the life of the federal contract (in other words, the annual subsidy times the

Table B. Current Services Levels and Reagan Budget for 1983.
(Budget authority in millions of dollars)

Program	Current Services	Reagan Proposal	Change
National Defense	$233,139	$263,033	+$29,894
International Affairs	17,982	18,126	+144
International security	3,631	4,663	+1,032
General Science, Space, Technology	7,743	7,800	+57
Energy	5,704	4,330	-1,374
Energy conservation	440	27	-413
Natural Resources & Environment	7,489	8,440	+951
Pollution control, abatement	1,320	3,566	+2,246
Commerce and Housing Credit	5,770	3,419	-2,351
Mortgage credit	3,329	1,646	-1,683
Transportation	20,591	19,102	-1,489
Ground transportation	14,637	12,317	-2,183
Air transportation	3,262	4,463	+1,201
Community and Regional Development	7,503	6,658	-845
Community development	4,588	4,460	-128
Rental rehab grants	0	150	+150
Area and regional development	2,191	1,801	-390
Disaster relief and insurance	779	452	-327
Education, Training, Employment and Social Services	27,276	18,794	-8,482
Elementary, secondary and vocational education	6,528	4,417	-2,111
Higher education	7,589	4,789	-2,800
Research, general educ aids	1,245	1,060	-185
Training and employment	4,936	2,955	-1,981
Social services	27,276	18,794	-8,482
Health	82,132	77,808	-4,324
Health care services	76,555	72,468	-4,087
Medicare	62,293	59,383	-2,910
Medicaid	14,531	12,995	-1,536
Health research	4,100	3,969	-31
Health education	444	337	-107
Consumer and occupational health and safety	1,051	1,052	+1

Table B, continued

Program	Current Services	Reagan Proposal	Change
Income Security	285,524	257,576	-27,948
General retirement and disability insurance	169,653	170,741	-1,088
Unemployment compensation	22,330	22,249	-70
Housing assistance	18,861	-3,854	-22,715
Subsidized housing	17,313	-5,221	-22,534
Other	1,584	1,367	-181
Food and nutrition assistance	17,486	13,784	-3,702
Food stamps	12,650	10,356	-2,294
Child and other nutrition	4,836	3,747	-1,089
Other income security	22,131	19,664	-2,467
SSI	9,177	8,891	-286
AFDC and related	7,163	5,863	-1,300
Welfare administration	1,914	1,655	-259
Refugee assistance	670	703	-171
Low income energy assistance	1,752	1,300	-452
Veterans Benefits and Services	26,191	25,660	-531
Administration of Justice	2,679	2,671	-8
General Government	5,059	5,259	+200
General Purpose Fiscal Assistance	6,646	6,696	+50
Interest	115,149	112,536	-2,613
TOTAL BUDGET AUTHORITY	$833,874	$801,910	-31,964

Source: Table B-13, "Special Analysis A: Current Services Estimates."

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Table C. Budget Authority and Outlays for Selected Functions and Subfunctions, 1982 and 1983.

Program	Budget Auth 1982	Budget Auth 1983	Outlays 1982	Outlays 1983
National Defense	$218,865	$263,033	$187,497	$221,068
Commerce and Housing Credit	6,275	3,419	3,265	1,591
Mortgage credit	4,061	1,646	925	-184
Community and Regional Devel.	6,621	6,658	8,366	7,263
Community development	4,286	4,460	5,066	4,349
Education, Training, Employment, Social Services	23,507	18,794	27,770	21,552
Education fo disadvantaged	2,481	1,942	2,978	2,553
Training and employment	3,945	2,955	5,439	2,764
Social services	5,989	4,968	6,400	5,101
Social services block	2,400	1,974	2,912	1,974
Community serv ce block	378	104	508	183
Child welfare block	465	380	493	383
Health	79,234	77,808	73,437	78,105
Income Security	252,322	257,576	250,870	261,736
Gen'l retirement,disability	157,531	170,741	162,268	175,650
Unemployment compensation	21,006	22,249	22,513	22,598
Housing assistance	6,649	-3,854	8,247	8,884
Food and nutrition	15,785	13,784	15,569	13,772
Food stamps	11,286	10,536	11,244	10,342
Child nutrition	4,498	3,428	4,325	3,430
SSI	7,777	8,891	7,900	8,902
AFDC	6,102	5,863	8,221	5,863
Low income energy asstce	1,752	1,300	1,865	1,300
Other				
Legal Services Corporation	120	0	148	13
TOTAL	$765,464	$801,910	$725,331	$757,638

NOTE: Many 1982 figures assume proposed rescissions are adopted.

Source: Budget of the United States, Fiscal Year 1983.

Prepared by Low Income Housing Information Service

number of years the contract runs). The contrast between budget authority and outlays for selected programs serving low income people is shown in Table C.

THE HUD HOUSING BUDGET

There isn't much future for HUD's housing programs under the budget proposals. The total number of households receiving housing assistance from HUD in 1987 will be almost half a million lower than it would be if we just had a moratorium on new commitments now, and let the existing stock remain and all units in the pipeline be built or occupied.

The Administration proposes cancellation of hundreds of thousands of commitments for new or rehabilitated housing units, already approved under the Section 8 and public housing programs. Some 300,000 of the 700,000 units now "in the pipeline" would be lost.

The HUD budget includes both rescissions of 1982 funds and proposals (mostly rescissions for 1983 The cuts and program changes affect just about every HUD housing program. [This memo will deal briefly with the overall budget numbers and then describe the major points so far as they are available, of the program changes and their impact. Table 1 gives a summary of HUD Budget Highlights and Table 3 shows the number of assisted housing units reserved each year since 1976.]

President Reagan has requested rescission of the entire 1982 appropriation for new or rehabilitated assisted housing units, except for Section 202 and a few already committed Section 8 units. This amounts to $9.4 billion in budget authority. Also to be requested is rescission of $11.2 billion in budget authority for the rent supplement program, since 170,000 units now receiving rent supplements are to be converted to Section 8 existing.

On top of these rescissions, the Administration plans to recapture $10.4 billion from Section 8, public housing, and rent supplement funds appropriated in prior years. These funds will be reused by HUD, but not for the most part, to assist additional low income families. Instead, they will go to replace the cancelled long-term subsidy contracts with Section 8 existing certificates at a lower subsidy level than that program now provides.

The $9.4 billion rescission covering 1982 production was sent to Congress on February 10. Congress must approve the rescission within 45 days for it to take effect.

HUD's low income housing programs will be operating on recaptured funds for the next several years. This means that any additional units that are provided -- say under Section 202 or the voucher program (called "modified Section 8 Existing" by HUD) -- come from losses of housing subsidy somewhere else. Moreover, as the rescissions make clear, the proposal is to return a substantial amount of the recaptured funds to the Treasury.

Table 1. HIGHLIGHTS OF PROPOSED 1983 HUD BUDGET

Dollars in millions. Budget authority (BA) is total commitment, regardless of when it will be spent and may run for up to 33 years. Contract authority (CA) is limit on annual cost. Outlays (O) are expenditures for year shown. Figures in () are elsewhere in table, so should not be included in totals.

		1980 Actual	1981 Actual	1982 Approp.	1982 Revision	1983 Request
Section 8/public housing	BA	$26,719.7	$24,983.0	$17,403.8	$8004.0	-$2,390.7
	CA	$1,140.7	$1,155.1	$897.2	$562.5	$-2.1
Gross Units		NA	220,501	NA	219,917	121,615
Net units		205,892	177,715	142,231	[a]46,917	[a]40,000
Section 8						
New/sub rehab	Units	[b]92,763	[c]73,861	[b]43,935	[c]22,502	[c]10,000
Moderate rehab	Units	[b]26,167	[c]19,916	[b]18,909	[c]10,720	0
Existing	Units	[b]50,235	[c]90,354	[b]55,387	[d]186,385	[d]111,615
Subtotal	Units	[b]169,165	[c]184,131	[b]118,231	[e]219,607	[e]121,615
Public housing						
Conventional	Units	31,834	33,242	20,000	160	0
(Indian)	Units	4,893	3,128	4,000	150	0
Subtotal	Units	36,727	36,370	24,000	310	0
Taxable financing	BA	$1,995.3	$1,060.4	0	[g]1,400.0	1,400.0
Housing payments	Outlays	$4,529.3	$5,746.5	$6,726.0	$6,726.0	$7,352.0
	Units	3,105,070	3,297,451	3,546,700	3,546,700	3,668,480
Public housing modernization						
Budget authority		$999.6	$1,699.2	$1,800.0	$1,800.0	$1,800.0
Contract authority		$50.0	$85.0	$90.0	$90.0	$90.0
Capital costs financed		$545.3	$926.9	$981.9	$981.9	$981.9
202 elderly and handicapped						
Net loan commitments		$831.2	$822.7	$799.2	$799.2	$453.0
Net additional units		(18,720)	(14,828)	(14,933)	(14,933)	(9,000)
235 home ownership	BA	$1,172.6	$2,100.0	0	0	0
	Units	58,907	5,102	14,600	14,600	0
Operating subsidies						
Public housing	BA	$755.3	$1,070.8	$1,352.6	[h]$1,292.9	$1,075.0
	Outlays	$824.3	$928.6	$1,278.0	$1,278.0	$1,110.0
Flexible subsidies	BA	$79.5	$18.1	$4.0	$4.0	0
	Outlays	$22.6	$10.6	$52.7	$55.3	$24.0
Rent supplement rescission	BA	-$13.1	-$143.5	-$1,033.7	-$2,787.5	-$2,830.4
Congregate services	BA	$10.0	0	0	0	0
Urban homesteading	Outlays	$7.5	$7.0	$20.0	$20.0	$12.0
	Units	790	1,165	1,760	1,760	[i]1,268
312 rehabilitation loans	BA	$109.7	$5.6	0	0	0
Loans, single family		$149.0	$60.2	$11.4	$11.4	0
multifamily		$47.3	$21.8	$56.7	$56.7	0
nonresidential		$7.0	$2.5	0	0	0

HUD Budget, continued

		1980 Actual	1981 Actual	1982 Approp.	1982 Revision	1983 Request
312 loans made, single family		8,887	3,212	600	600	0
Multifamily		295	134	350	350	0
Nonresidential		129	32	0	0	0
Total, 312 loans		9,311	3,378	950	950	0
Housing counseling	BA	$9.0	$7.0	$3.5	$3.5	0
Agencies funded		350	212	140	140	0
Estimated clients served		200,000	47,000	59,000	59,000	0
Fair housing assistance	BA	$3.7	$5.7	$5.0	$5.0	$5.7
	Outlays	0	$0.7	$7.6	$7.6	$5.8
Federal Housing Administration						
Insurance written	Units	556,346	408,129	467,490	467,490	507,017
Claims paid	Units	46,695	46,592	48,677	48,677	46,664
	Amount	$615.9	$788.5	$849.8	$849.8	$852.7
Insurance limitation		--	$34,155	$40,000	$40,000	$35,000
Temp Mortgage Assistance (TMAP)		--	--	$76	$76	$45
Government National Mortgage Assn						
Section 8/targeted tandem	BA	$1,866.6	$1,800.0	$1,973.0	$1,973.0	0
Mortgage-backed securities[f]		$22,995.5	$42,150.0	NA	$48,000.0	$38,400.0
Community Development						
Community Development grants	BA	$3,740.4	$3,694.6	$3,600.00	[h]$3,456.0	$3,456.0
CDBG outlays (drawdown)		$3,901.6	$4,042.4	$4,005.0	$4,005.0	$3,350.0
Urban Development Action Grants	BA	$675.0	$675.0	$458.0	[h]$440.1	$440.0
Rental Rehabilitation Grants	BA	0	0	0	0	$150
Other						
Neighborhood Self-Help Devel	BA	$10.0	$0.8	0	0	0
Research and Technology	BA	$44.6	$39.6	$20.0	$20.0	$20.0
701 planning grants	BA	$37.5	$15.8	0	0	0
Solar energy and energy conservation bank	BA	--	$0.3	$23.0	0	0
Salaries and expenses	Outlays	$565.1	$587.4	$601.3	[h]$597.1	$599.5
Fulltime positions		15,613	15,122	NA	14,300	14,000
TOTAL BUDGET AUTHORITY		$35,676.9	$33,350.4	$24,191.9	$24,191.9	$5,930.6
Less proposed rescissions		NA	NA	NA	-$12,187.3	-$5,245.9
NET BUDGET AUTHORITY		$35,676.9	$33,350.4	$24,191.9	$13,019.8	$684.7
TOTAL OUTLAYS (NET)		$12,576.2	$14,033.4	$14,614.5	$14,614.5	$13,129.9

a LIHIS estimates based on information in 1983 HUD Budget Summary.

b Ne gross reservations minus cancelled reservations or, for 1982 and 1983, minus conversions from other programs to Section 8).

c Gross.

d Gross. LIHIS estimates net at 13,385 for 1982 and 30,000 for 1983.

e Gross. Net figure is 153,985 for 1981 (HUD figure); 46,607 for 1982 (LIHIS estimate); and 40,000 for 983 (LIHIS estimate).

f Guarantee program. Limits proposed for 1982 and 1983.

g Proposed supplemental

h Reflects discretionary cut authorized in 1982 appropriation act to achieve 4% total reduction in items above Administration revised (September 1981) request. Any item above the request coul be cut by up to 5%.

i Includes an estimated 450 units under new multifamily demonstration program.

Source: Compiled by Low Income Housing Information Service (LIHIS) from HUD Budget Summaries for 1981, 1982 revised, and 1983.

This point cannot be overemphasized. The 1982 and 1983 rescissions and recaptures of HUD budget authority total 39.6 billion. THERE ARE NO "NEW" OR ADDITIONAL UNITS IN THE HUD BUDGET WHATEVER HUD DOES IN 1982 AND 1983 WILL BE DONE WITH WHAT IS LEFT OVER FROM THE $40 BILLION IN RECAPTURES AFTER $16 BILLION OF IT IS RESCINDED.

Measured in budget authority, "savings" from HUD low income housing programs will total a whopping $83 billion by 1987.

SUBSIDIZED PROGRAM CHANGES. The Reagan budget ends new production and substantial rehabilitation under the Section 8 and public housing programs. Moderate rehabilitation would continue this year but not in 1983 Except for 5 000 units to be saved for helping public housing tenants displaced by demolition of their projects, the Section 8 existing program as we know it would end.

The 202 housing for the elderly and handicapped program would continue without rescission for 1982, and is proposed at a net, 9,000 unit level for 1983.

The Indian housing program would end, with only 150 units in 1982, and none thereafter.

The basic HUD subsidized housing program, starting in 1983, would be a voucher or "modified Section 8 existing" program. It is generally descr bed in the budget documents but a full analysis will have to await release of HUD's legislative proposals. The HUD voucher would differ from the present Section 8 certificate in three major ways. First, it would be for a fixed amount, representing the difference between 30% of tenant income (including any food stamps) and the fair market rent for existing units in the area. A voucher holder finding a unit for less than the fair market rent would pay less than 30% of income a voucher holder who couldn't find anything suitable without paying more than the fair market rent would have to pay more than 30% of income. Second, there would be no increase in the amount to reflect rising costs, utilities etc Tenants would have to pay any annual rent increases out of their own pockets. Third, it would be worth less than present Section 8 certificates, because FMR s would be recalculated, and reduced by 15-20%. Present Section 8 contracts (between HUD and the administering agency) would be modified when they expire.

The other HUD housing program contained in the 1983 budget is a rental rehabilitation prog am This program was described by a top HUD official, in an apparent slip of the tongue, as a "categorical block grant program". HUD would allocate $150 million to communities to pay half the cost of rehabilitat ng rental units, under very general program guidelines Tenants presently living in the units, or wishing to do so, could get vouchers and 30,000 have been set aside for this. The rental rehabilitation program replaces the "312" and Section 8 moderate rehab programs

RENT INCREASES The Administration will propose legislation to require tenants to pay their entire utility bills and to count food

Table 3. SUBSIDIZED HOUSING UNIT RESERVATIONS, 1976-1983

HUD PROGRAMS	1976 + TQ	1977	1978	1979	1980	1981	1982[a]	1983[a]
Section 8:								
New construction	157,116	145,272	99,342	111,692	75,033	[b]58,108	[b]19,938	[b]9,000
Substantial rehabilitation	18,971	24,124	22,703	33,346	17,730	[b]15,753	[b]2,564	[b]1,000
Moderate rehabilitation	---	---	---	34,294	26,167	[b]19,916	[b]10,720	0
Existing	314,494	161,581	135,472	90,375	50,235	[b]90,254	[b]186,385	[b]111,615
Adjustment for conversions	NA	NA	NA	NA	-13,899	-7,213	-173,000	-70,615
Subtotal, Section 8	490,581	330,977	257,517	270,007	155,266	[b]176,918	46,607	51,000
Public housing:								
Conventional	19,252	49,371	63,621	49,649	31,834	[b]33,242	150	0
Indian	6,888	8,065	4,888	5,719	4,893	3,128	160	0
Subtotal, public housing	26,140	57,436	68,509	55,368	36,727	36,370	310	0
Total, Section 8/public housing	516,721	388,413	326,026	325,075	191,993	[b]213,288	46,917	51,000
Section 235	18,574	4,719	11,378	14,471	58,907	5,102	14,600	0
Section 236	11,515	---	283	-85	121	-208	0	0
Section 202	(29,857)	(24,791)	(19,973)	(22,525)	(18,720)	(14,828)	(14,933)	(9,000)
HUD TOTAL	[c]542,367	393,132	337,687	339,461	251,021	[b]218,182	61,517	51,000
FARMERS HOME ADMINISTRATION PROGRAMS								
Subsidized loans:								
502 home ownership loans								
New construction, purchase	54,325	39,337	35,663	38,645	39,374	39,097	35,430	12,720
Existing, purchase	21,447	20,796	26,089	24,368	21,558	20,910	18,950	6,640
Existing, repair or rehab	618	841	1,013	1,251	1,807	1,527	1,420	740
Subtotal, 502	76,390	60,974	62,765	64,264	62,739	61,544	55,800	20,100
515 rental or cooperative loans	27,244	30,175	30,446	36,520	30,980	28,740	29,400	5,740
514/516 farm labor housing	866	1,208	512	2,575	1,490	890	1,340	1,090
504 very low income repair loans	3,115	3,028	4,393	5,213	6,934	5,296	6,440	5,900
Subtotal, FmHA loans	107,615	95,385	98,116	108,572	102,143	96,470	92,980	32,830
504 very low income repair grants[d]	---	1,882	3,183	6,842	8,589	7,687	4,651	3,515
TOTAL, FARMERS HOME	107,615	97,267	101,299	115,414	110,372	104,157	61,517	36,345
GRAND TOTAL	649,982	490,399	438,986	454,875	375,084	218,182	159,148	87,345

[a] Estimated as of January 1982 [b] Gross reservations [c] Adjusted for 4,443 rent supplement cancellations
[d] Some units are also counted under 504 loans ( ) indicates double-counting NA = not available

Source: Compiled by Low Income Housing Information Service from HUD Budget Summaries and Federal Budget Appendices, 1977-1983.

stamps as income. This could double or treble rents for many households. Moreover, all present deductions from income would be ended. Rent increases would be phased in over five years (the present 10% cap on rent increases would be raised to 20%).

It is easy to figure the impact of the food stamp change: rents would go up by 30% of whatever food stamps a household receives. This means of course that the poorest households with the most food stamps would get the biggest rent increases It hits particularly hard in states with very low welfare payments since the value of food stamps can be as high, or higher, than cash assistance. In this case, rents would double

The impact of making tenants pay their own utilities is harder to measure but would force tenants in some projects to move out. The budget gives no figures on utility costs but they obviously vary widely, depending on climate local utility rates, the condition of the project, and tenant consumption. Nor is it entirely clear how HUD intends to apply utility charges. [LIHIS plans another Special Memorandum when the legislative proposals are released.]

In addition to these increases, which apply to all HUD tenants, there are many changes that affect existing subsidized housing units -- mostly by tightening up on the amount of assistance.

PUBLIC HOUSING. Public housing operating subsidies are needed to cover the gap between income from tenant rents and the cost of operating projects. One of the major reasons for the poor condition of some public housing projects is that operating subsidies have been inadequate.

HUD uses a formula, the "Performance Funding System" or "PFS" to set the level of operating subsidies for each authority. The PFS has been criticized on several grounds: (1) it is almost incomprehensible; (2) it does not cover the full need; (3) it provides no incentives or reward for efficiency. At Congress' behest, HUD is now studying alternatives to PFS. Meanwhile, it is still in use.

The 1983 budget requests $1,075 million for operating subsidies. This is about two-thirds of the amount that would be needed for full PFS funding and $27 million less than actual 1981 operating subsidies, including the supplementals to cover the 1981 shortfall because of rising utility costs.

The Office of Management and Budget (OMB) comments on this reduction as follows:

> "In addition to increased rents, other steps will be taken to reduce the level of Federal payments required to operate public housing:
>
> o Utility costs will be reduced through reductions in consumption levels funded by the subsidy formula; these reductions in consumption levels are feasible because of

intensive efforts no underway to modernize public housing and make it more energy efficient, and because regulations governing tenant utility allowances are being revised.

o Rather than adding further to the inventory of public housing units, efforts will be made to cancel current construction commitments and sell or demolish some of the extremely high cost projects now in operation.

o Lease and grievance regulations will be revised to enable public housing authorities to collect delinquent rents more readily and to evict disruptive tenants."

The level of operating subsidies and the future of public housing, will be major issues this year. There is growing pressure to remove the 30% ceiling on tenant rents and to give local public housing agencies far more freedom to run their programs. Proposals vary from removing red tape to letting authorities set their own rents and income limits.

The public housing modernization, or "comprehensive improvement" program will be continued, but no more than $1.8 billion in budget authority can be spent in 1982 or 1983. Moreover housing authorities with new projects "in the pipeline" will be able to get modernization money only by cancelling those projects. In 1982, $1 billion of these recaptured funds can be reused on a dollar for dollar basis. Another billion is estimated to become available on a 50% recapture basis. Some $300 million will go to authorities without recaptured funds. In 1983 $1.3 billion of modernization money will come from recapturing $2.6 billion in new public housing HUD will use $500 million of its "profits" on this transaction for modernization by other authorities, and the rest will be rescinded.

RENT SUPPLEMENTS There are almost 160,000 units receiving assistance under HUD's rent supplement program, initiated in the 1960's. As costs have risen, the rent supplement, which is a fixed amount for a forty-year contract has not been adequate to cover the full difference between 25% of tenant income and the cost of operating the project So, rent supplement contracts have been amended. Several years ago, HUD started converting rent supplement contracts to Section 8, and there have been many rescissions of rent supplement funds as this has happened.

One major problem with this approach is that long-term contracts, which have thirty years or more to run, are replaced with 5-year Section 8 existing contracts. This provides a more adequate subsidy for the short run, but no assurance -- as federal housing programs are being dismantled -- that the projects will remain available for low income people.

HUD will obligate just about all of the 1982 money that remains after the rescission to convert 160,000 rent supplement units to Section 8 existing over a three-year period. Meanwhile, it will propose rescission of $2.8 billion in 1982 and again in 1983.

SECTION 236. The 536,000 units in the Section 236 program will have to get along with deep subsidy funds already available through recapture. These funds will run out by the end of 1983, and 236 projects needing additional deep subsidy funds thereafter will be converted to Section 8 existing.

Some 145,000 Section 236 units are now receiving Section 8 subsidies, mostly under the so-called loan management program, initiated when the fixed interest subsidy for Section 236 became inadequate, as a way of preventing default. Although Section 8 contracts provide for annual increases reflecting rising costs, these increases will be capped at 5%.

No new funds are proposed for the troubled projects program. However, $24 million is expected to become available through transfer from the fund in wh ch excess Section 236 rents had been deposited during the early years of the program. With carry-over HUD estimates that it w ll have funds to help 276 troubled projects in 1982 (128 of them getting their second year) and 98 troubled projects in 1983. Except for projects given two-year commitments in 1981, all projects will receive funds for one year only.

OTHER HUD PROGRAMS. Table 1 gives the specifics for other HUD programs affecting low income people. Housing counseling would be ended. Fair housing would have the 1982 cut in funds for fair housing assistance restored. Urban homesteading would get $12 million. $3 million of this will be used for a multifamily demonstration program, estimated to handle 15 buildings averaging 30 units each. The 312 rehabil tation program would stop, not even being able to relend loan repayments The e would be no more GNMA tandem funds to finance rental housing construction.

The community development and urban development action grant programs would be funded at their 1982 levels, well below 1981.

RURAL HOUSING PROGRAMS -- THE FARMERS HOME BUDGET

The Farmers Home Administration (FmHA) is a major victim of the Administration's effort to cut back on federal credit programs. The OMB philosophy appears to be that a dollar lent is a dollar spent, even though it gets paid back eventually.

Therefore, the FmHA housing programs are cut by two-thirds in 1983 (see Table 2). The total cut in FmHA lending activities for housing is $3 billion. This means a loss of over 60,000 subsidized units and another 12,000 moderate income, unsubsidized loans.

Under the Reagan budget, FmHA would be able to finance 20,000 loans under the 502 program for home ownership, about 6,000 very low income home repair grants, less than 6,000 rental housing units under the 515 program, and about 1000 farm labor housing units.

Deepest cuts come in the 502 and 515 programs. Some rural rental

Table 2. HIGHLIGHTS OF 1983 FARMERS HOME BUDGET REQUEST
(Dollars in millions)

Program	1980 Actual	1981 Actual	1982 Estimate	1983 Estimate	Change 1982-83
Subsidized Loans					
502 Low-income ownership,new	$1,392.4	$1,462.1	$1,444.0	$565.0	-$879.0
Existing	783.1	812.5	803.0	305.0	-498.0
Repair/rehab	44.6	53.0	53.0	30.0	-23.0
Subtotal 502	2,220.1	2,327.6	2,300.0	900.0	-1,400.0
504 repair loans	21.9	17.9	24.0	24.0	0.0
515 Rental housing loans	825.3	842.5	940.0	200.0	-740.0
514 Farm labor housing loans	24.6	18.5	25.6	19.0	-6.6
Subtotal, subsidized loans	3,091.9	3,206.4	3,289.6	1,143.0	-2,146.6
Unsubsidized Loans					
502 low income	30.9	4.7	0	0	0
502 moderate income	573.5	251.3	429.0	0	-429.0
502 REA weatherization	1.3	1.7	1.0	0	-1.0
502 above-moderate guaranteed	18.9	5.7	0	0	0
Rural housing site loans	0.8	5.7	0	0	0
Subtotal, unsubsidized loans	3,773.3	263.9	435.0	2.0	-433.0
Grants and Payments					
Rural rental assistance	393.0	403.0	398.0	[a]185.0	??
504 very low income repairs	24.0	25.0	15.0	12.5	-2.5
Farm labor housing grants	25.0	25.0	13.75	12.5	-1.25
Mutual and self-help housing grants	5.0	0.0	3.95	0.0	-3.95
Self-help land development fund	0.0	1.0	0	0	0
Supervisory assistance grants	1.5	1.0	0	0	0
Water and waste disposal grants	290.0	210.0	127.1	120.0	-7.1
Rural development grants	10.0	5.0	0	0	0
Salaries and expenses	235.6	252.6	274.5	294.2	+19.7
Rural Development Loans					
Water and waste disposal loans	700.0	750.0	375.0	300.0	-75.0
Community facility loans	240.0	260.0	130.0	130.0	0
Industrial development loans	1,073.8	652.3	300.0	0	-300.0
UNITS ASSISTED					
502 low income ownership, new	39,374	39,097	35,430	12,720	-22,710
Existing	21,558	20,910	18,950	6,640	-12,310
Repair/rehab	1,807	1,527	1,420	740	-680
Subtotal	60,739	61,544	55,800	20,100	-35,700
504 repair loans	[b]6,934	[b]5,296	[b]6,440	[b]5,900	-540
504 repair grants	[b]8,589	[b]7,687	[b]4,651	[b]3,515	-1,136
515 rental housing	30,980	28,740	29,400	5,740	-23,660
514 Farm labor housing	1,490	890	1,340	1,090	-250
Subtotal, subsidized loans	110,732	104,157	97,631	36,345	-61,286
Unsubsidized loans					
502 moderate income	17,543	[c]7,990	11,700	0	-11,700
502 guaranteed	590	172	0	0	0
Subtotal, unsubsidized	21,628	8,922	11,700	0	-11,700
Rural rental assistance	20,000	17,655	14,280	[a](17,560)	??
TOTAL HOUSING PROGRAM UNITS	123,771	121,812	111,911	36,345	-75,566

[a] Budget authority and number of units to be put under 5-year contract, not comparable to previous years; these funds required to renew expiring 5-year contracts.
[b] Many units receive both loans and grants, and are therefore counted twice.
[c] Includes 172 low-income loans.

Source: Compiled by Low Income Housing Information Service

assistance is requested, but because many present contracts expire and need to be renewed, no additional units will receive rural rental assistance.

No rescissions have been announced in 1982 appropriations, but a deferral of $13 750,000 appropriated for farm labor housing grants was requested on February 10. (This deferral will go into effect unless either the House or Senate disapproves it within 45 days.) The reason given for the deferral was a carry-over balance of $19 million from last year -- enough to fund 1982 activities at what OMB describes as "a level sufficient to fund the most viable grant applications."

TAX EXPENDITURES

The largest housing expenditures in the budget have little to do with either HUD or FmHA. Instead, they are the "tax expenditures" resulting from housing-related income tax deductions. Each year, these are estimated and, in theory at least, Congress can regulate them.

Table 4 shows estimated housing-related tax expenditures for 1982 and 1983. These are Administration estimates and are much lower than those of CBO. Moreover, they show a sharp decline in the ate of growth of the major deductions: home owner mortgage interest and property taxes. The analysis of tax expenditures does not mention the reasons for the change: it could be the expectation that interest rates will come down or that people with plenty of money will spend less of it on expensive housing.

Nonetheless, housing-related tax expenditures for 1983 are estimated to top $43 billion with 38.5 billion of this going to home owners. There is a $5.9 billion increase from 1982 to 1983, and a $4.6 billion increase between 1981 and 1982.

Very little of this money goes to low and moderate income people who, even though they may be home owners, do not itemize their deductions. Most of it goes to people in the top 10% of the income distribution.

There are also some tax expenditures to aid in rental housing investment. But these are trivial compared to home owner deductions.

Finally, the 1983 tax expenditures include almost $3 billion as the cost of "all saver's certificates" -- an effort to help savings and loans caught in a bind by rising interest costs. This single item is almost f ve times as costly as the increase in HUD's low income housing payments. It is twice the amount needed for an adequate level of public housing operating subsidies.

WHAT COMES NEXT

What comes next is basically up to Congress. And you. If Senators and Representatives hear from their constituents, they will respond on housing issues. If not, there is little chance of changing what Congress has before it.

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Cushing N. Dolbeare, Executive Secretary

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(1/82)

THE REAGAN BUDGET AND LOW INCOME HOUSING

CONTENTS

National
Low Income Housing Coalition

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Hon. Edward W. Brooke, *Chairperson* Cushing N. Dolbeare, *President*

MAINTAINING AND EXPANDING LOW INCOME HOUSING ASSISTANCE

Statement of Cushing N. Dolbeare, President, National Low Income Housing Coalition, before Subcommittee on Housing, Committee on Banking, Housing, and Urban Affairs, United States Senate, April 15, 1982.

In these times of budget constraints and deepening housing crisis, the National Low Income Housing Coalition urges a renewed commitment to giving top priority, in federal housing programs, to meeting the housing needs of low income people.

Rather than reciting, yet again, the facts on low income housing needs and the impact of the Administration's proposed cuts in low income housing programs, I have appended to this relatively brief statement the material which in one form or another I have presented this spring before the Senate Agriculture Committee, the Housing Budget Committee, and the House Housing Subcommittee. This statement will focus on the Administration's proposed bill, bills introduced by Senators Dodd and Tsongas, and other specific approaches relevant to this Committee's deliberations.

Before doing so, however, three points on housing need and housing commitments should be made, to set the context:

> The President's Commission on Housing has estimated that slightly over half of the twenty million households with incomes below 50% of median are renters, and that only one out of four of these poor renter households now receives housing assistance.
>
> In 1970, a family with an income of $3,000 who paid the median rent of $85 spent 34% of its income for shelter, and had $165 monthly left over for all other needs. There were then 5.8 million renter households with incomes below $3000. In 1980, a family with an income of $3,000 who paid the median rent of $179 spent 72% of its income for shelter and had only $71 left over for all other needs. Ten percent of all renters, or 2.7 million households, still had incomes below $3000 in 1980.
>
> While low income housing assistance programs have been cut back, tax expenditures for housing have been unconstrained. In 1981, the INCREASED COST of housing-related tax expenditures ($7.6 billion) was considerably HIGHER THAN HUD'S OUTLAYS FOR LOW

INCOME HOUSING assistance ($5.7 billion in housing payments and $1.1 billion for public housing operating subsidies). Moreover, the TOTAL COST of housing-related tax expenditures ($33.3 billion) was slightly MORE THAN THE CUMULATIVE HOUSING PAYMENTS MADE BY HUD AND ALL OF ITS PREDECESSORS, SINCE 1937. Moreover, if the rate of increase for the homeowner mortgage interest deduction anticipated for the 1983-87 by the Joint Committee on Taxation is projected for the rest of this century, its total cost would be over two trillion dollars, almost ten times the amount of outstanding subsidized housing commitments.

Against this backdrop, the National Low Income Housing Coalition urges that four basic principles guide housing legislation this year:

First, we must maintain our present low income housing inventory in viable condition, without rent increases. This means rejecting the proposals to count food stamps as income and to raise the limit on rent increase resulting from program changes to 20% per year. It also means providing adequate troubled projects and operating subsidies to cover the difference between tenant contributions and the cost of operating decent housing. Finally, it means prohibiting arbitrary limits on subsidy amounts which will force projects into default or abandonment.

Second, we should not retreat from present commitments. The pipeline should be built, not truncated. All funds recovered because commitments turn out not to be feasible should be reprogrammed, not rescinded.

Third, we need to maintain and expand housing production, through both rehabilitation and new construction, for low income people. We urge continued provision of funds for the public housing, 202 housing for elderly or handicapped, and Farmers Home Section 515 programs, as well as the exploration of new approaches.

Fourth, we need to maintain the rural housing programs of the Farmers Home Administration at an adequate level. We support funding the rental assistance, home ownership, farm labor housing, self-help housing, and the water and sewer programs which are required for development in rural areas at no less than their 1982 levels. We oppose proposals to abandon these programs in favor of a block grant.

SPECIFIC RECOMMENDATIONS

THE "MODIFIED SECTION 8 EXISTING HOUSING" PROPOSAL SHOULD NOT BE ADOPTED.

The effect of the proposed modifications would be to reduce the amount of housing assistance by 15-20%. Tenants would have to pay the extra costs out of their own pockets. It would be even harder for large households to find quarters.

This would be done by reducing the payment standard on which the amount of the voucher would be calculated to about 80-85% of present

Section 8 Existing Fair Market Rent levels. Tenants would then negotiate their own rents, paying less if they could find a place for less; paying the extra if they couldn't.

As proposed by the Administration, this constitutes a hidden rent increase for tenants being switched to the new program. I have queried a broad range of Section 8 housing administrators on whether their clients could find housing in their communities at 80% of current fair market rents. Not one thought it would be possible.

There is no provision in this new voucher program to provide annual adjustments for rent increases. This means further annual rent increases, unrelated to ability to pay, unless there is a major change from recent experience which is that operating costs have increased at roughly twice the rate of increase in tenant incomes.

Moreover, since expiring Section 8 existing contracts are to be converted to the new program, major rent increases for the households affected appear inevitable. If they continue in their present quarters, landlords are unlikely to reduce their rents because their subsidy is lower. If they look elsewhere, they face very tight rental markets.

The National Low Income Housing Coalition has consistently been concerned with housing affordability as a basic component of the low income housing problem and we have just as consistently supported efforts to use the existing stock of housing and to provide low income households with the same kinds of housing choices that are available to others.

However, there is clear evidence, both from the Experimental Housing Allowance Program and the Section 8 existing program, that vouchers prmarily serve households whose housing problem is limited to affordability. They do not provide shelter for households the private market is unwilling or unable to serve: large families, single-parent families, minority families. Even at present fair market rents, half of all households receiving Section 8 certificates are unable to find units within their alloted time period of sixty days. The proportion is far higher for minorities, female-headed households, and households now living in substandard housing.

Members of the President's Commission on Housing were given the following information on the proportions of Section 8 Existing voucher holders who failed to find housing within 60 days:

Household Type	Minority	Nonminority
1 person elderly	50%	42%
1 person nonelderly	54%	51%
Elderly couples	66%	50%
Younger couples	67%	45%

Household Type	Minority	Nonminority
1 parent, 1-3 children	75%	56%
1 parent, 4+ children	78%	76%
2 parents, 1-3 children	60%	57%
2 parents, 4+ children	72%	75%
All household types	72%	52%

We have no doubt that agencies allocated vouchers under the new proposal will be able to find families that will take them and use them. But it seems equally likely that few of these families will be among those who most desperately need help.

FOOD STAMPS SHOULD NOT BE COUNTED AS INCOME IN DETERMINING TENANT RENTS.

Our analysis of the rent increases proposed by the Administration this year is that they are far higher than the effect of raising tenant contributions from 25% to 30% of income. Moreover, they have their greatest impact on the very poorest households.

To illustrate this point, we have compared the impact of the rent increase adopted last year, when fully phased in, with the impact of counting food stamps as income, when fully phased in, for an unemployed mother on welfare with two children in each of the thirteen states represented by Senators serving on the Banking Committee.

> Last year's full rent increase is 20%, phased in over five years. The increase this year is 4%, substantially below the 10% cap on rent increases because of program changes (rather than income changes) adopted last year. Rents at 25% of income range from a high of $114.00 in California (where welfare grant is $506) to a low of $17.70 in Texas, where the welfare grant is only $118 (and the rent is 15% of gross income which is higher than 25% of adjusted income). The family in California had an average of $13.06 in cash left after paying rent, plus food stamps worth $2.43. The family in Texas had only $3.34 per day, plus food stamps worth $6.10.
>
> The rent increase from 25% to 26% of income, scheduled for this year, will not affect the family in Texas, which still pays 15% of gross income. A Texas family moving into HUD-subsidized housing would pay $20.40 in rent, leaving an average of $3.25 in cash each day, plus $6.10 in food stamps. The California family will have a 4% rent increase this year and, ultimately, a 20% rent increase when it pays 30% of income.
>
> If food stamps are counted as income, the California family would sustain a 16% rent increase, while the Texas family would, when fully phased in, have a 325% increase (paying 30% of income, counting food stamps). The family would then have only $1.42 left each day, plus $6.10 in food stamps, after paying its rent of $75.30.

EFFECT OF COUNTING FOOD STAMPS AS INCOME ON RENTS OF UNEMPLOYED MOTHER WITH TWO CHILDREN ON AFDC, SELECTED STATES, 1982 WELFARE AND FOOD STAMP GRANT LEVELS.

		WELFARE GRANT ONLY			WELFARE AND FOOD STAMPS		
		25%	26%	30%	25%	26%	30%
CALIFORNIA	RENT	114	118.56	136.8	132.25	137.54	158.7
	DAILY CASH LEFT	13.06	12.91	12.3	12.45	12.28	11.57
COLORADO	RENT	65.75	68.38	78.9	98.5	102.44	118.2
	DAILY CASH LEFT	8.24	8.15	7.8	7.15	7.01	6.49
ILLINOIS	RENT	63	65.52	75.6	96.5	100.36	115.8
	DAILY CASH LEFT	7.96	7.88	7.54	6.85	6.72	6.2
INDIANA	RENT	51.25	53.3	61.5	88.5	92.04	106.2
	DAILY CASH LEFT	6.79	6.72	6.45	5.55	5.43	4.96
MARYLAND	RENT	55	57.2	66	91	94.64	109.2
	DAILY CASH LEFT	7.16	7.09	6.8	5.96	5.84	5.36
MICHIGAN	RENT	86.25	89.7	103.5	113	117.52	135.6
	DAILY CASH LEFT	10.29	10.17	9.71	9.4	9.24	8.64
NEW MEXICO	RENT	49.5	51.48	59.4	87.25	90.74	104.7
	DAILY CASH LEFT	6.61	6.55	6.28	5.35	5.24	4.77
NEW YORK	RENT	93.5	97.24	112.2	118	122.72	141.6
	DAILY CASH LEFT	11.01	10.89	10.39	10.2	10.04	9.41
PENNSYLVANIA	RENT	67	69.68	80.4	99.5	103.48	119.4
	DAILY CASH LEFT	8.36	8.27	7.92	7.28	7.15	6.62
RHODE ISLAND	RENT	100.75	104.78	120.9	123	127.92	147.6
	DAILY CASH LEFT	11.74	11.6	11.07	11	10.83	10.18
TEXAS	RENT	17.7	17.7	20.4	62.75	65.26	75.3
	DAILY CASH LEFT	3.34	3.34	3.25	1.84	1.75	1.42
UTAH	RENT	79.25	82.42	95.1	108	112.32	129.6
	DAILY CASH LEFT	9.59	9.48	9.06	8.63	8.48	7.91
WISCONSIN	RENT	105.75	109.98	126.9	126.5	131.56	151.8
	DAILY CASH LEFT	12.24	12.1	11.53	11.55	11.38	10.7

EFFECT OF COUNTING FOOD STAMPS AS INCOME ON RENTS OF UNEMPLOYED MOTHER WITH TWO CHILDREN ON AFDC, SELECTED STATES, 1982 WELFARE AND FOOD STAMP GRANT LEVELS.

	WELFARE GRANT ONLY			WELFARE AND FOOD STAMPS		
	25%	26%	30%	25%	26%	30%
CALIFORNIA	114	118.56	136.8	132.25	137.54	158.7
% CHANGE	0	4	20	16	20.6	39.2
COLORADO	65.75	68.38	78.9	98.5	102.44	118.2
% CHANGE	0	4	20	49.8	55.8	79.7
ILLINOIS	63	65.52	75.6	96.5	100.36	115.8
% CHANGE	0	4	20	53.1	59.3	83.8
INDIANA	51.25	53.3	61.5	88.5	92.04	106.2
% CHANGE	0	4	20	72.6	79.5	107.2
MARYLAND	55	57.2	66	91	94.64	109.2
% CHANGE	0	4	20	65.4	72	98.5
MICHIGAN	86.25	89.7	103.5	113	117.52	135.6
% CHANGE	0	4	20	31	36.2	57.2
NEW MEXICO	49.5	51.48	59.4	87.25	90.74	104.7
% CHANGE	0	4	20	76.2	83.3	111.5
NEW YORK	93.5	97.24	112.2	118	122.72	141.6
% CHANGE	0	4	20	26.2	31.2	51.4
PENNSYLVANIA	67	69.68	80.4	99.5	103.48	119.4
% CHANGE	0	4	20	48.5	54.4	78.2
RHODE ISLAND	100.75	104.78	120.9	123	127.92	147.6
% CHANGE	0	4	20	22	26.9	46.5
TEXAS	17.7	17.7	20.4	62.75	65.26	75.3
% CHANGE	0	-.0999999995	15.2	254.5	268.7	325.4
UTAH	79.25	82.42	95.1	108	112.32	129.6
% CHANGE	0	4	20	36.2	41.7	63.5
WISCONSIN	105.75	109.98	126.9	126.5	131.56	151.8
% CHANGE	0	4	20	19.6	24.4	43.5

In absolute terms, the low income family in California would pay $44.70 more in rent after the increase from 25% of cash income to 30% of cash-plus-foodstamps. The very much poorer family in Texas would pay $57.60 more.

So, the proposed change by counting food stamps as income would place the highest absolute and relative burdens on those least able to carry them.

THE PRESENT 10% CAP ON RENT INCREASES RESULTING FROM PROGRAM CHANGES SHOULD BE RETAINED, NOT RAISED TO 20%.

The National Low Income Housing Coalition, and others, have long contended that subsidized housing residents in fact often pay far more than 25% of their incomes for rent, because of the inadequacy of utility allowances. Now the Bureau of the Census confirms this view. Annual Housing Survey data show that 16% of the households living in subsidized housing paid more than 50% of their incomes for shelter, and one quarter paid more than one-third of their incomes.

It was at least in part in order to protect these families, who are generally the poorest, that Congress last year enacted a 10% cap on annual rent increases as a result of program changes. The Administration's proposal that this cap be increased to 20% should be rejected.

Again, the impact of the change falls most heavily on very poor people, who will have the biggest rent increases if and when regulations to prohibit "negative rents" for very poor families paying their own utilities and to drop the exclusion of extraordinary medical expenses from income are promulgated.

The following table shows the impact of this change, again basing the estimates on welfare and food stamp grants in each state for an unemployed welfare mother with two children.

State	Present rent at 25%	Rent if foodstamps counted	1984 rent with		Cash remaining	
			10% cap	20% cap	10% cap	20% cap
CA	$114.00	$132.25	$132.25*	$132.25*	$373.75	$373.75
CO	65.25	98.50	79.55	94.68	233.45	218.32
IL	63.00	96.50	76.23	90.71	225.77	211.29
IN	51.25	88.50	62.00	73.80	193.00	181.20
MD	55.00	91.00	66.55	79.20	203.45	190.80
MI	86.25	113.00	104.35	124.20	290.65	270.80
NM	49.50	87.25	59.89	71.28	188.11	176.72
NY	93.50	118.00	113.13	134.63	310.87	289.37
PA	67.00	99.50	81.06	96.48	236.94	221.52
RI	100.75	123.00	121.90	123.00*	331.10	330.00
TX	17.70**	62.75	21.41	25.48	96.59	92.52
UT	79.25	108.00	95.88	114.11	271.12	252.89
WI	105.75	126.50	126.50*	126.50*	346.50*	346.50*

[* Based on food stamp rent, not cap, which would be higher. ** 15% of gross income.]

One thing is apparent from the foregoing table: even though logic tells us that the differences between the 10% cap and the 20% cap should be widest for people with higher cash incomes and therefore higher rents this is not the case because they have lower rent increases. The same analysis would hold in connection with eliminating negative rents: only the very lowest income families receive them. Not-so-low income families would be unaffected.)

HUD SHOULD BE REQUIRED TO TAKE MAJOR MEDICAL EXPENSES INTO ACCOUNT IN DETERMINING TENANT RENTS.

Last year, HUD was given broad discretion to define "income" for purposes of determining rents in subsidized housing. A provision adopted in 1974 for Section 8 (and earlier for public housing) provided for exclusion of extraordinary medical or other expenses and for charging a lower rent to households with exceptional expenses.

With some exceptions, the elimination of medical deductions will fall most heavily on elderly and handicapped people, who do not have the resources to pay for major rent increases and cannot reasonably be expected to obtain them.

We urge either legislation or strong report language aimed at precluding these rent increases.

THE PRESENT RESTRICTIONS IN THE LAW ON DEMOLITION OF PUBLIC HOUSING AND DISPOSITION OF HUD-OWNED OR HUD-HELD MULTIFAMILY PROPERTIES SHOULD NOT BE REMOVED

Although HUD and its predecessors have been subsidizing the provision of low income housing for 45 years, the current inventory stands at less than 3.5 million units an average of less than a million each decade. The private sector adds more units to the stock annually, even in a terrible year, than this per-decade average.

Moreover, low income housing projects were all -- even the recent ones -- built when costs were lower than they are today. Most were built at far less cost than we are ever likely to see again. And, at least in the case of public housing, the federal obligation to pay off the bonds remains, even if the project is destroyed.

The National Low Income Housing Coalition urges that high priority be given to retaining the present stock of assisted housing in viable condition, for low income occupancy. And, where projects need comprehensive modernization, these funds should be provided together with needed operating subsidies.

Current restrictions on the demolition of public housing make sense: demolition may only be undertaken if (1) units will be replaced in a "timely" fashion; (2) total cost of replacement is less than total cost of rehabilitation; and (3) displaced families will get decent,

safe, sanitary, and affordable housing.

The Administration bill would repeal these standards, substituting looser ones. Demolition would become an eligible modernization activity, with several critical requirements waived. Projects, for example, could be slated for demolition without consultation with either local officials or tenants and without the same standards for assessing physical condition and the cost of improvements needed that apply to the modernization program.

The Coalition appreciates the concern which members of this Committee have for the viability of the public housing program and we have discussed possible remedies and approaches with the committee staff on a number of occasions. We hope to continue this process. What is needed, we believe, is not revision of the demolition section -- or any approach which would reduce the number of public housing units -- but rather a careful examination of the remedies which are needed to deal with the problems of a rather limited number of housing projects.

Finally, we would note that the President's Commission on Housing gave serious consideration to, in effect, abandoning the public housing and disposing of current projects. It found, however, that public housing provides shelter for hundreds of thousands of households that the private sector has been unwilling or unable to house decently and would not house even under a voucher program, that it is less expensive than providing vouchers to the same households, and that the federal government should retain control over income and rent levels as basic to maintaining the public purpose of the program, even as it relaxes other restrictions.

The arguments for opposing the proposed changes with regard to multi-family property disposition are similar. They rest on the foolishness of seeking on the one hand to find the funds needed to provide shelter to very low income people and, on the other hand, permitting projects which were built or used for this purpose to slip out of the inventory.

The critical decision to be made in property disposition is NOT what will bring the highest short-term return, but what is the most cost-effective method of providing shelter for low income people. The present law takes these long-range considerations into account. We urge that it be retained.

ADEQUATE OPERATING AND TROUBLED PROJECTS SUBSIDIES SHOULD BE PROVIDED FOR SUBSIDIZED HOUSING.

We urge authorization of $1.6 billion for public housing operating subsidies and enough funds for troubled projects to cover the valid needs for assistance.

Again, we believe it necessary for the Congress to make a clear and unmistakable commitment to preserving our present stock of assisted housing. If choices on priorities have to be made, this one should come first.

Last year Congress, rightly in our view, adopted legislation to focus federal housing assistance on the very lowest income families. It did so knowing that it costs more to assist a household with an income below 50% of median than it costs to assist households with incomes above 70% of median. Public housing operating subsidies, troubled projects subsidies, and Section 8 existing contracts are the three mechanisms which exist to provide these funds. If they are not adequate, projects will fail. If they are public housing, they will become vacant. If they are not, they will be turned back to HUD.

We recognize that there are problems of management and of adequate cost control if the commitment -- which we believe is vital -- to adequate operating assistance is made. We would be happy to work with the committee and its staff in addressing these problems. But solutions which rest either on restricting the level of assistance to unrealistically low levels or on serving households with lesser needs must be regarded as unacceptable from the outset.

FEDERAL SUPPORT FOR LOW INCOME HOUSING PRODUCTION MUST CONTINUE.

If it were not tragic for low income people, it would be ironic that the history of federal housing assistance over the three last decades has been that every time a housing program is sufficiently seasoned so that the bugs have been identified and can be addressed, we abandon it for something else. We appear to be on the verge of doing so again.

Until a better vehicle is in place and running, NLIHC supports continuation of assisted housing production through public housing, the Farmers Home 515/rental assistance housing program, and -- at least for neighborhood based groups and cooperatives -- of the Section 8 program.

Nor do we believe that continuation of these programs is inconsistent with developing and testing new approaches, particularly if we are willing to reaffirm the national commitment to providing decent housing for every American family, including low income families.

> WE RECOMMEND THAT TWO, MUTUALLY CONSISTENT APPROACHES BE INCLUDED IN THIS YEAR'S LEGISLATION: (1) A HIGHLY TARGETED PROGRAM OF HOUSING GRANTS TO STATE AND LOCAL GOVERNMENTS TO BE USED ONLY TO REDUCE THE CAPITAL COST OF PROVIDING ADDITIONAL NEW OR REHABILITATED UNITS TO BE OCCUPIED BY VERY LOW-INCOME HOUSEHOLDS WITH URGENT HOUSING NEEDS AND (2) A MULTI-FAMILY RENTAL HOUSING PRODUCTION PROGRAM DESIGNED TO PROVIDE A SUBSTANTIAL NUMBER OF UNITS FOR LOWER INCOME FAMILIES.

HOUSING GRANTS. The basic objective of any housing grant program should be to serve people with the most critical housing needs, and to provide flexibility in doing so. An adequately designed and constrained housing grant program could accomplish this goal and we would be pleased to work with the committee in developing such a program. While we do not have a full-fledged proposal to present, we are clear that any grant program should have at least the following provisions:

Eligible activities should be limited to providing new or rehabilitated housing to be occupied by very low income families who are (1) living in seriously substandard housing; (2) paying more than half their income for shelter; or (3) displaced by public or private actions. This dual targeting is necessary at least until these critical housing needs are met and will easily absorb the funds that might foreseeably be provided to a housing grant program.

Housing grant funds should not be used for administrative costs.

Adequate civil rights and citizen participation mechanisms should be included, and performance monitoring should be real.

HUD should have some leeway to reward good performance and penalize poor performance. (The mechanism in the administration's proposed rental rehabilitation grant program might be workable for this.)

There are also some things which a housing grant program should NOT do. We oppose inclusion of new construction as an eligible activity in the community development block grant program as insufficiently targeted and likely to draw funds away from the present, neighborhood-based use of CDBG funds for rehabilitation. We would oppose any approach which would make housing grants fungible with CDBG. Finally, we oppose initiating a housing grant program in rural areas. We believe, instead, that it should begin with HUD and focus on urban areas, with a balance-of-state allocation, based on need, which could be used to provide housing assistance in rural areas.

MULTIFAMILY HOUSING PRODUCTION. We welcome the initiative by Senator Dodd in introducing S. 2171. The Coalition believes it is appropriate to give greater emphasis to assisting rental housing production than to single family units. However, we suggest two specific changes: (1) there should be a requirement that at least 40% of the units in each project be subsidized for lower income households and (2) all lower income units provided should remain as rental units for 30 years unless sold, under limited equity arrangements, to their occupants.

THE RURAL HOUSING PROGRAMS OF THE FARMERS HOME ADMINISTRATION SHOULD BE CONTINUED AND MORE EFFECTIVELY DIRECTED TO SERVING LOW INCOME PEOPLE.

The Farmers Home Administration has the only housing delivery system available in many remote rural areas. It is also the only housing agency that has housing staff reasonably well distributed throughout rural America, with experience in providing housing assistance both to home owners and to small, 4-8 unit rental projects.

FmHA programs have been hampered, however, both by inadequate scale and by inadequate subsidies to enable them to assist very low income people. We believe these problems should be addressed directly, through continued targeting and planning requirements, and through provision of funds for rural rental assistance and the never-funded home ownership assistance program for very low income households.

AT LEAST $10 MILLION SHOULD BE PROVIDED FOR A FULL RANGE OF HOUSING COUNSELING SERVICES.

We find the effort to end federal support for housing counseling services is short-sighted and counterproductive. Default counseling has saved more money than it has cost.

More important to the Coalition's concern with low income housing is the role of housing counseling agencies in providing assistance to low income people in solving their immediate, critical housing problems. Particularly if we are to shift to even greater reliance on the existing stock of housing, adequate counseling can be critical to improving the sorry record of the Section 8 existing program in providing shelter to large families, single parent families, and minority families.

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THE HOUSING BUDGET AND LOW INCOME HOUSING NEEDS

CONTENTS

Note: A contribution of $5.00 to cover our costs would be appreciated.

THE HOUSING BUDGET AND LOW INCOME HOUSING NEEDS

A compendium of testimony by Cushing N. Dolbeare, President, National Low Income Housing Coalition, before House Subcommittee on Housing, Committee on Banking, Finance and Urban Affairs; House Budget Committee; and Senate Agriculture Committee, March 1982.

This is, by almost any measure, a grim time for housing. New housing production is at its lowest levels in decades. Traditional forms of housing finance are stagnating, or worse. Unemployment of construction workers is approaching 20%. Given these problems and the outcry about them, it is all too easy to forget that the housing crisis for low income people -- whose problems are most acute -- is steadily worsening.

During the last decade, while the housing conditions of most Americans improved markedly the housing ituation of low income people was deteriorating. Low income people have not really shared in the general improvement in income but their housing cost have risen far more rapidly than those for middle and upper income people Displacement is a major problem even rom subsidized housing. Homelessness is increasing, and affecting families as well as single people. Although the rise in energy costs is decelerating, many low income people still cannot afford adequate heat. Unsubsidized private rental housing construction has dried up and the Administration is in the process of attempting to retrieve subsidized units already in the pipeline.

This testimony will cover (1) the present housing situation of low income people, drawing on recently published Annual Housing Survey data for 1979 and 1980; (2) some of the major accomplishments of federally subsidized housing programs; (3) the cost of federal housing assistance both directly and through the tax code; (4) the Administration s housing proposals and their impact; (5) the substantial rent increases for very poor people if food stamps are counted as income; (6) the proposals contained in H.R. 5731, the "Gonzalez bill"; and (7) some recommendations for dealing more adequately with the housing needs of low income people.

THE HOUSING SITUATION OF LOW INCOME PEOPLE

The housing problems faced by low income people are multiple and varied.

Historically, a major focus of housing concern has been on housing and neighborhood quality. Indeed, as recently as 1940, 45% of all occupied units in the United States were either dilapidated or lacked basic plumbing facilities. That figure has now fallen to well below 10%, with those units almost exclusively occupied by poor people.

As the incidence of substandard housing has declined, another major housing problem has arisen for low income people: affordability. Housing costs include not only the mortgage or rent, but also utilities, taxes, insurance, and maintenance (although some or all of the latter costs are typically included in rents). These operating costs, particularly utilities, have skyrocketed in recent years. All of us have felt the pinch of rising energy costs, but the impact has been worst for poor people.

The final major housing problem faced by low income people to a far greater degree than others is availability. Availability may be a problem either because the supply is inadequate or because of discrimination on the basis of race, income source, family composition or for other reasons.

> People with special housing needs, such as handicapped or frail elderly people, large renter households, and migrant farmworkers, face special problems of availability.
>
> So do blacks and other minorities, families with children -- especially if there is only a single parent, and households with irregular or very low incomes.

Since 1949, when Congress adopted the national goal of "a decent home and a suitable living environment for every American family" there has been bipartisan support for efforts to deal with the acute housing problems of low income people. Meanwhile, several decades of economic prosperity have created very high housing standards and expectations for most Americans.

Between 1970 and 1979, according to Annual Housing Survey data, the number of occupied housing units increased by almost one quarter (24.9%). Almost two thirds (65.4%) of all households owned or were buying their own homes. The number of units lacking plumbing facilities, a traditional measure of housing quality, dropped by 46% While average household size fell sharply (from 3.0 to 2.6 persons for owner-occupied units and from 2.3 to 2.0 persons for renter-occupied units), housing units increased slightly in size. The number of units with three or more bedrooms increased by one third. There were sharp increases in the number of elderly households, single-parent households (both male and female heads), and single-person households.

Unfortunately, the cost of housing has increased far more rapidly than household incomes. Between 1970 and 1980:

> Median income for owners rose 104% (from $9700 to $19,800), while median value tripled (from $17,100 to $51,300).
>
> Median renter income rose 66% (from $6,400 to $10,600), while median rents increased by 123% (from $108 to $241).

The income gap between owners and renters continued to grow. In 1970, median renter income was 65% of median owner income; by 1979, it had dropped to 55%. As Table 1 shows, there were more renters than owners at the very lowest income levels (below $7,000), while owner outnumbered renters by more than 10:1 in the top income brackets (above $50,000).

The very rapid recent rise in housing costs, particularly for low income renters, is shown in Table 3A. While median rents for all renters rose by 21% in the three years from 1978 through 1980, median rents for very, very low income renters (below $3,000) rose by 38%. Moreover, at all income levels, the proportion of income spent for shelter was rising, although the median was 25% or more <u>only</u> for households with incomes below $15,000.

While housing costs rose generally, both the amount and the impact of the increase was greatest for low income households. For example, while the number of renter

housing:

Almost three-fifths of the households are white.

Over one-third are elderly.

About two-fifths worked at least part of the time.

Half had household incomes below $5000. One eighth had household incomes below $2500.

Almost half had incomes below the poverty level and over three-fifths had incomes below 125% of the poverty level.

While only 15% of assisted households consisted of five or more persons, they were among the poorest. Two thirds of the five and six person households and three quarters of the households with seven or more persons had incomes below the poverty level.

THE COST OF FEDERAL LOW INCOME HOUSING PROGRAMS

While there is a great variety of federal housing programs, there are several patterns to the way they are subsidized. It is useful to analyze housing subsidies in terms of three principal components of housing costs: (1) the capital cost of the structure or unit (including site acquisition, site preparation, and the cost of designing and building the housing 2 financing, since subsidized housing is financed exclusively through long-term loans; and (3) operating costs, including management, utilities, maintenance, and taxes.

Briefly, all of the HUD and FmHA lower income housing programs provide financing subsidies. This is done through tax-exempt bonds (public housing and some Section 8), through payment of part of the interest (Section 235 home ownership, Section 236 rental housing, and the "new" Section 202 housing for elderly and handicapped); or through direct loans (Farmers Home and the "old" 202 program). [For reasons too complex to discuss here FmHA loans are sometimes referred to as "insured", but the money is borrowed from and repaid to FmHA.]

It has never been possible to provide affordable housing for very low income people (incomes below the poverty leve or 50% of median) with financing subsidies alone. Hence, programs which receive only financing subsidies either do not serve low income people or, if they attempt to run into serious financial problems. (This has been notably true of the 236 rental housing program.)

The primary capital subsidy programs are public housing and Section 8. Under the public housing program, the federal government signs an "annual contributions contract" (ACC and agrees to pay the principal and interest to retire the bonds financing the projects. Under the Section 8 new construction and substan ial rehabilitation programs, the fair market rents on which the subsidy is based reflect the cost of paying off the financing or the project. The cost differential between Section 8 new construction and Section 8 existing can be regarded as a capital subsidy. The Farmers Home Administration has two very small programs which pay partial capital subsidies: the very low income repair grant program and the farm labor housing grant program.

The rent supplement program -- now being phased out --- is similar to Section 8 in

These households are the poorest of the poor, but in 1980 they were less than one third of all households with incomes below the poverty level. There were also another 3.3 million renter households with incomes above $3,000, but still below the poverty level, and 4.9 million owner-occupants below the poverty level.

In other words, when we speak of low income housing needs, we are talking about millions of people: 29 million in all, including more than 11 million children (4 million of them under six) and 4 million elderly people.

SOME ACCOMPLISHMENTS OF LOW INCOME HOUSING PROGRAMS

1982 marks the 45th anniversary of the adoption of the U.S. Housing Act of 1937, which established the public housing program. In the ensuing decades our subsidized housing inventory has risen to about 4.5 million units: 3.4 million through programs of the Department of Housing and Urban Development (HUD) and the rest in rural areas through the Farmers Home Administration (FmHA) of the Department of Agriculture. This is about double the number of units built by the private sector in a single good year.

In contrast, as President Reagan's Commission on Housing has pointed out, there are approximately 20 million households with incomes below 50% of median and more than 30 million households with incomes below 80% of median.

Small wonder, then, than fewer than one quarter of all households with incomes below the poverty level are living in federally assisted housing.

Most subsidized housing assistance has been given to renters, particularly through HUD programs. The Farmers Home Administration has placed more emphasis on home ownership programs. Table 4 gives current estimates on the number of occupied subsidized units. The table includes occupied units provided under all programs of HUD and FmHA.

Yet, despite their inadequate scale, our low income housing efforts have made a critical difference to millions of low income households. While only 11% of all rental units are subsidized, almost three ifths (57%) of the units renting for less than $100 monthly are subsidized, as are one fifth (22%) of the units renting for $100-149. Perhaps more important, as Table 5 shows subsidized housing provides shelter for almost one quarter of all very poor renter households (incomes below the poverty level). Almost one third (32.7%) of all very poor elderly renters live in assisted housing, as do comparable proportions of very poor black renters (33.1%) and female-headed renter households (3 2%) Very poor Hispanic households and white households are less well served: 17.7% of very poor Hispanic renters and 20.0% of very poor wh te renters are in subsidized housing. Finally, it should be noted that public housing serves poor renters living in cities better than those elsewhere: 29.4% of very poor renters in central cities live in subsidized housing, compared with 19.4% outside of metropolitan areas.

Perhaps the most reliable, relatively recent data on characteristics of households living in federally assisted housing appears in a recent Census Bureau report on "Characteristics of Households and Persons Receiving Noncash Benefits," containing data from the March 1980 Current Population Survey. The data, which include rental housing assisted under all programs, are summarized in Table 7.

The information belies some widely held assumptions about federally subsidized

housing:

Almost three-fifths of the households are white.

Over one-third are elderly.

About two-fifths worked at least part of the time.

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that part of the subsidy offsets the cost of retiring the loans to finance the project.

For two decades, operating costs alone have been more than most very low income people can afford at a reasonable percentage of their income. Moreover, operating costs have been rising far more rapidly than incomes. This has forced the provision of operating subsidies for programs serving poor people.

In public housing, operating subsidies are provided in a separate, line-item appropriation calculated according to a formula which few claim to understand.

The designers of the Section 8 program recognized the need to subsidize operating costs, but relied on market discipline to limit them. Thus, Section 8 contracts are limited by "fair market rents" for comparable unsubsidized housing. [One major problem with this concept is that "comparables" have been hard to find as unassisted rental housing construction has dried up.] Annual adjustments are made to reflect rising costs in the market area.

Other programs which provide funds to cover operating costs are the FmHA rural rental assistance program and HUD's rent supplement program. Rural rental assistance is used together with the 515 1%-interest-rate program; rent supplements have been widely used with the similar HUD 236 program. Section 8 subsidies have also been linked with 236 and 515 projects to make them viable for very low income people.

Not only is housing subsidized in a variety of ways, but it is difficult, in looking at the budget, to get a true picture of subsidized housing costs. The three major elements of "the low income housing budget" are (1) outlays for housing payments; (2) budget authority for additional housing assistance; and (3) authorization of credit for subsidized loans (as well as unsubsidized and insured loans).

The level of housing payments is largely uncontrollable: it is the cumulative cost of al of the contracts for housing assistance ever signed under all of the various subsidy programs which provide long-term assistance. Basically, these payments cover capital and financing costs along with some operating assistance. In addition, annually appropriated operating subsidies for public housing and some lesser operating subsidies are reflected in these housing payments. They can be reduced only by jeopardizing the viability of housing projects or by raising rents to unaffordable levels.

Budget authority for incremental assistance easily misunderstood. Because assistance is provided under long-term contracts (5-30 years), budget authority is the maximum annual assistance multiplied by the term of the contract This is equivalent, for an individual of purchasing a house with a 20-year mortgage and estimating its cost by including all the principal, interest taxes maintenance, utilities and other expenses for the 20-year period. Few houses would cost less than $500,000 if calculated that way! The current "overhang" of budget authority represents the cost of commitments under already signed contracts.

Finally, there is the credit authorization, primarily for FmHA loans. There is a separate appropriation each year to reimburse the Rural Housing Insurance Fund for the cost of subsidizing FmHA interest rates and the small losses incurred under FmHA programs.

This review of housing subsidy approaches is essential to understanding both the complexity of housing assistance programs and the manifold HUD and FmHA programs which have been adopted and refined over the years in an effort to find satisfactory approaches to the dilemma of how best to provide adequate housing assistance while avoiding either waste or windfalls.

There has been much rhetoric, particularly in these times of concern about the federal deficit, with the cost of low income housing programs. There is a threefold problem here (1) to provide adequate levels of assistance; (2) to identify what low income housing really costs; and (3) to avoid waste and unnecessary costs.

There would be no need for low income housing programs if providing shelter did not cost more than low income people can pay. This truism is worth underscoring. Ignoring it leads to efforts to save money by either serving a higher income group -- bypassing the poores households -- or in cutting back on assistance levels so that projects become unviable. Our present inventory of assisted housing is a valuable national resource which would cost many times as much to replace as it would to maintain it adequately.

Instead of focussing on the high cost of budget authority for low income housing -- a freak of the budget process which seriously jeopardizes our capacity to expand housing assistance -- let us consider how little, after 45 years, we are spending for this major human need.

- Outlays for low income housing assistance have never, in any year, been even 1% of total federal outlays.

- The cost of housing-related tax expenditures to the Treasury in 1981 alone exceeded THE CUMULATIVE OUTLAYS for low income housing assistance under all of the programs of HUD and its predecessor agencies from the adoption of the U.S. Public Housing Act of 1937 through 1981.

- Compared to the anticipated cost of housing-related tax expenditures, primarily home owner deduc ions, the $250 billion in budget authority committed to long-term contracts for federal housing assistance is almost trivial. Unless constrained, and neither Congress nor the Administration appears inclined to address this issue, foregone revenues for the rest of this century will be many trillions of dollars.

There are ways of reducing the cost of housing assistance for low income people. One of the most effective approaches would be to focus the provision of housing assistance to individual households, on the one hand, and to public, nonprofit, and limited equity housing owners on the other.

THE ADMINISTRATION'S HOUSING PROPOSALS

Last year, low income housing received the largest cut in budget authority of any federal program. This year, again, low income housing bears the brunt of the $56 billion in budge cuts proposed by President Reagan. Measured in "budget authority" or spending commitments, the 1983 budget provides $32 billion less than "current services or the amount needed to maintain federal programs at their present levels However since there is a $30 billion increase above current services in budget authority for national defense, the total cut in all other programs is $62 billion.

$23 billion, or 37%, of this cut comes from low income housing programs. This is by far the largest cut proposed for any activity of the federal government. In fact, it is almost $5 billion more than the combined total of all the other cuts in education, training, employment, social services, health including Medicare and Medicaid), food stamps, welfare, and other income security safety net programs. Indeed, the 1983 increase in the military budget could be funded out of the 1982 and 1983 low income housing cuts alone.

In short, the Reagan Administration would reverse the slow progress we have been making in expanding low income housing programs and, instead, curtail the present level of assistance, particularly for new or rehabilitated assisted housing units. It would get rid of many existing subsidized units. And it would raise rents to the point where federally subsidized low income housing may cost more than unsubsidized housing.

If adopted by the Congress, the impact of the budget and legislative proposals would be disastrous for low income people.

- Hundreds of thousands of low income units already approved for subsidy will never be built or rehabilitated, because the subsidy commitments will be withdrawn.

  The Administration proposes cancellation of hundreds of thousands of commitments for new or rehabilitated housing units, already approved under the Section 8 and public housing programs. A net total 300,000 of the 700,000 units now "in the pipe ine" would be lost forever. This loss comes at a time when the stock of affordable rental housing units is shrinking rapidly and almost one fifth of all construction workers are unemployed.

- Rents for the 3 million families living in lower income housing would be sharply increased. The Administration will propose legislation to require tenants to pay their entire utility bills and to count food stamps as income. [Note: The administration's legislative proposal transmitted to Congress after this testimony was delivered, did not include establishment of minimum rents. However we understand tha regulations to eliminate "negative rents payment to tenants who pay their own utilities and whose utility allowances are higher than their "tenant contribution" or rent) This would have the resul o making utility b ls the minimum rent for these households. HUD is also preparing regulations to eliminate medical and other deductions from income.] This could double or treble rents for many households. Moreover, present deductions from income would be ended. Rent increases would be phased in over five years (the present 10% cap on rent increases would be raised to 20%).

  These proposals hit hardest on very low income people, who receive the maximum food stamp allotments. Their rents would go up by $40 or more. People in states with low welfare grants would be worst off. (See below, and tables, for the impact of this proposal.)

  The proposal that tenants pay the full cost of their utilities [where they exceed regular rent due] is even worse, particularly in cold climates or older, poorly insulated projects, where utility bills average well over $100 per month. The National Low Income Housing Coalition, and others, have long contended that subsidized housing residents in fact often pay far more than 25% of their incomes for rent, because of the inadequacy of utility allowances.

Now the Bureau of the Census confirms this view. As Table 5 shows, 16% of households living in subsidized housing paid more than 50% of their incomes for shelter, and one quarter paid more than one-third of their incomes.

We urge Congress to review these facts and actual rent-income ratios and to restore the original intent of the Brooke amendment, which was to limit housing expenditures, including utilities, to 25% of income.

o Federal rent subsidies would be reduced by 15-20% in the Section 8 existing program and tenants would have to pay the extra costs out of their own pockets, along with the increased rents. It would be even harder for large households to find quarters

This would be done under the "modified Section 8 existing program" by giving certificates that cover the difference between 30% of tenant income and a reduced fair market rent (about 15-20% below present levels because of changes in how it would be calculated). Tenants would then negotiate their own rents, paying less if they could find a place for less; paying the extra if they couldn't.

As proposed by the Administration, this constitutes a hidden rent increase for tenants being switched to the new program. I have queried a broad range of Section 8 housing administrators -- attending two training conferences -- on whether their clients could find housing in their communities at 80% of current fair market rents. Not one thought it would be possible.

Moreover, there is clear evidence, both from the Experimental Housing Allowance Program and the Section 8 existing program, that vouchers can meet only a part of the low income housing needs. They serve households essentially, whose primary problem is affordability. But they do not provide shelter for households the private market is unwilling or unable to erve: large families, single-parent familie , minority families. Even at present fair market rents, half of a households receiving Section 8 certificates are unable to find unit within their a loted time period of sixty days. The proportion is far higher for minorities, female-headed households, and households now living in substandard housing.

There is no provision in this new voucher program to provide annual adjustments for rent increases. Expiring Section 8 existing contracts are to be converted to the new program.

o Some public housing projects would have to close. Services and maintenance would have to be curtailed in those remaining open. Several thousand low income families living in public housing would be displaced because their homes would be demolished The level of operating subsidies for public housing is simply inadequate to maintain it: about two thirds of estimated need.

o Homeowners facing default would no longer receive housing counseling to assist them in retaining their homes. The housing counseling program would be ended.

o 150,000 families living in rent supplement projects would have no assurance, beyond five years, that they would receive housing assistance. Present rent supplement contracts would be ended, and tenants given vouchers instead.

o The rural housing programs of the Farmers Home Administration would be cut to

one-third of their present level. They are to be virtually terminated in 1984.

These proposals are made at a time of housing crisis. New production is at its lowest level in two generations. Rents in the private market are beyond the reach of the millions of low income households these programs were intended to help.

In short, the budget proposals offer no hope to low income people: either to those now living in low income housing or to the hundreds of thousands more on the waiting lists. They must be rejected.

THE IMPACT OF COUNTING FOOD STAMPS AS INCOME

In 1979, an estimated 922,850 households living in housing subsidized through the HUD Section 8 and public housing programs received food stamps. This is about half of the total number of households iving in these subsidized units. About one third of the food stamp recipients in subsidized housing were elderly; just over half were nonelderly families headed by a woman.

Food stamp recipients are among the poorest low income housing residents. In 1979, 55% had incomes below $3000 and another 30% had incomes between $3000 and $5000. Moreover 83% of the households living in public housing or Section 8 with incomes below $3000 received food stamps, as did 37.6% of residents with incomes between $3000 and $5000. The proportion of residents with incomes between $5000 and $10000 who received food stamps dropped to 23.7%, while less than 0.1% of residents with income above $10,000 also received food stamps. (Source: Derived from information on characteristics of food tamp households in assisted housing contained in "The Impact of Including Housing Assistance as Income in Determining Food Stamp Eligib ity and Benefits: Report to the Congress," Food and Nutrition Services, USDA; information on incomes of public housing and Section 8 tenant in 1979 HUD Statistical Yearbook; and information on occupied units in 1981 HUD Budget Summary.)

These facts are doubly significant because the impact of counting food stamps as income falls most heavily on people with the very lowest incomes. As Table 4 shows, both the absolute and relative increases are greatest for tenants with the very lowest incomes. Rents for elderly households with incomes below 10% of median would increase by 42%, and households in this income bracket would have only $70 monthly for all nonhousing expenses.

The impact on larger households in the bottom income bracket is even more startling: rents for households of three to six persons roughly triple, once the increases were fully phased in, and these households would have about $50 left each month for all of their nonhousing needs.

Both the absolute and relative rent increase for households living in assisted housing with incomes between 11-20% of median or 21-30% of median are lower, but the increases would still be substantial for households in the 11-20% of median bracket.

Still another perspective on the impact of the change is provided by a state-by-state analysis, shown in Table 5, of how rents would change for a mother on welfare, who did not work, with two children. In no state is the increase in rent less than 20%; in many states, rents would double, and in Mississippi they would almost quadruple. The biggest absolute and relative increases come in the states with the lowest welfare grants and would exacerbate the already great disparities in income.

Finally, we should note that many assisted housing tenants already are paying far more for rent than the theoretical program models assume. Although rents, including utilities, are supposedly limited to 25% of income, fully one quarter of the residents of assisted housing are paying more than one third of their incomes, when full utility costs are included. 13% are paying 60% or more of their incomes -- compared to 16% of all unsubsidized tenants. If the Administration's proposal to set minimum rents to cover utility costs is adopted, the proportion of low income housing residents with very high cost burdens will rise sharply.

These proposals undermine the very purpose of federal housing assistance programs: to provide low income people with decent housing at affordable rents. Their impact, instead, will be to make unsubsidized housing unaffordable for people who need it most. The result will be that they will be forced to leave, and most of them will have no place to go.

COMMENTS ON H.R. 5731 -- THE "GONZALEZ BILL"

The National Low Income Housing Coalition welcomes the effort to design a counterproposal which will effectively address our current housing situation. We hope that this will be a bipartisan and ultimately successful effort.

While we generally endorse the direction of the Gonzalez bill, we recommend a number of changes:

- o Considering the enormous needs of low income people, the level of low income housing assistance should be increased.

- o Funds should be provided for Section 8 new construction and rehabilitation, at least sufficient to maintain present commitments and to provide additional Section 8 assistance to nonprofit, limited equity, and community based housing organizations so they can continue their low income housing activities.

- o Rental housing production should be given greater emphasis than single family production Moreover the rental housing production program proposed in H R 57 should be improved by (1) requiring that 40% of the units provided be subsidized for lower income households (2) giving clear priority to proposals which provide higher levels for lower income people; (3) requiring that all lower income unit remain as rental units for 30 years unless sold, under limited equity arrangements, to their occupants.

We urge your adoption of these recommendations and look forward to working with the Committee as it considers this important legislation.

WHERE NEXT: SOME LONG-RANGE PROPOSALS

The National Low Income Housing Coalition believes that our national housing policy must start with the principle that affordable access to housing is a basic human right. This right must be firmly established as the basis for federal housing policy and programs. We believe the federal government has a fundamental responsibility to assure that everyone living in this country is able to obtain decent housing at affordable costs.The federal resources necessary to make this right a reality for low income people can and should be provided. To this end, we support:

- Adoption of an adequately funded entitlement, income based housing assistance program to enable low income people to obtain decent housing at costs they can afford.

- Expansion of production and preservation programs to meet those low income housing needs which cannot be met by an income-support program alone.

- A strong reaffirmation of the federal government's rolein guaranteeing fair access to housing by al citizens, including strengthening of the federal fair housing law and its enforcement.

- Restructuring tax policy to shift budgetary resourcesfrom those who have to those who do not The federal cost of housing-related income tax expenditures now tops $40 b ion annually -- more than five times the cost of housing assistance presently provided for low income people. The bulk of these tax expenditures benefit people in the top quarter of the income distribution.

- A strong role for community based, nonprofit organizations, in the implementation of housing programs, along with the availability of federal assistance to meet a broad range of housing needs at the neighborhood and community level.

- A strong reaffirmation of the federal government's continuing commitment to retaining the current stock of federally assisted and insured housing, now occupied by low and moderate income people, for their use. This includes all present public housing, HUD-assisted, HUD-insured, and HUD-held units as well as units assisted by the Farmers Home Administration. The necessary funds should be provided to maintain this housing in viable condition.

- Modification of monetary and credit policies to counteract the high financing costs for housing and the credit-related sharp fluctuations in residential construction which increase the costs, prices, and rents of all housing.

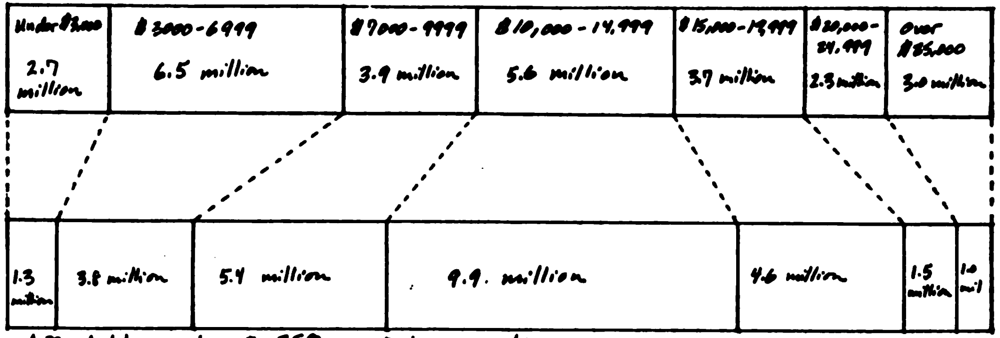
- A strong reaffirmation of the responsibility of the federal government to bring its resources to bear to prevent displacement of low income people from their homes and neighborhoods by either public or private action.

We urge this committee to remember that housing is more than bricks and mortar. Our housing is where we live: it shapes our lives, our families, and our communities.

The importance which we give to housing reflects our values as a society. Do we care that millions of children must ive in homes and neighborhoods that violate basic standards of safety and decency? Do we care that millions of old people must end their lives without dignity or the assurance of a sound roof over their heads and heat in their homes? Do we still believe that the federal government must play a role in ending injustice, and in providing resources and assistance where no one else can do so? The National Low Income Housing Coalition is convinced that the answers to these questions can and must be "YES".

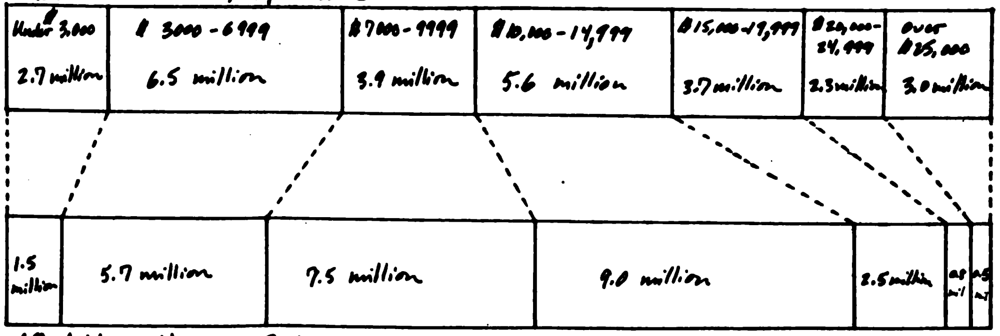
1980: Comparison of Renter Households and Affordable Units

Renter households, by income



Affordable units at 25% rent-income ratio

Renter households, by income



Affordable units at 30% rent-income ratio

TABLE 1. Income distribution for owners and renters, by race, 1980. (Households in thousands).

Income	Owners	Renters		
		All	Black	Hispanic
$3,000 or less	2,155	2,748	788	232
$3,000-6,999	5,750	6,479	1,483	616
$7,000-9,999	4,367	3,862	697	422
$10,000-14,999	7,217	5,553	841	519
$15,000-19,999	6,977	3,672	477	264
$20,000-24,999	6,707	2,263	264	156
$25,000-34,999	9,814	1,984	203	101
$35,000-49,999	6,002	699	61	29
$50,000-74,999	2,445	207	13	4
$75,000 or more	1,082	88	-	6
Total	52,516	27,556	4,827	2,349
Median	$19,800	$10,600	$7,600	$9,300

Source: 1980 Annual Housing Survey, Part C, Financial Characteristics of the Inventory.

TABLE 1A. MONTHLY SHELTER COST AT 25% AND 30% OF INCOME FOR SELECTED INCOME LEVELS

Income	25%	30%
$3,000	$62	$75
$7,000	146	175
$10,000	208	250
$15,000	312	375
$20,000	417	500
$25,000	521	625
$35,000	729	875
$50,000	1042	1250
$75,000	1562	1875

TABLE 2. RENTER HOUSEHOLDS AND AFFORDABLE UNITS AT 25% RENT-INCOME RATIO, 1980.

Income	Households	Units	Gap/Surplus	Cumulative
$3,000 or less	2,748	1,301	-1,447	-1,447
$3,000-6,999	6,479	3,807	-2,672	-4,119
$7,000-9,999	3,862	5,415	+1,553	-2,566
$10,000-14,999	5,553	9,920	+4,367	+1,801
$15,000-19,999	3,672	4,576	+904	+2,705
$20,000-24,999	2,263	1,503	-760	+1,945
$25,000-34,999	1,984	814	-1,170	+775
$35,000 or more	994	215	-775	0
Total	27,556	27,556	-	-

Source: Estimated by NLIHC from data in Annual Housing Survey, Part C, Financial Characteristics of the Inventory.

TABLE 3. RENTER HOUSEHOLDS AND AFFORDABLE UNITS AT 30% RENT-INCOME RATIO, 1980.

Income	Households	Units	Gap/Surplus	Cumulative
$3,000 or less	2,748	1,513	-1,235	-1,235
$3,000-6,999	6,479	5,694	-785	-2,020
$7,000-9,999	3,862	7,496	+3,634	+1,614
$10,000-14,999	5,553	9,012	+3,459	+5,073
$15,000-19,999	3,672	2,545	-1,127	+3,946
$20,000-24,999	2,263	791	-1,472	+2,424
$25,000 or more	2,978	504	-2,494	0
Total	27,556	27,556	-	-

Source: Ibid.

TABLE 3A. CHANGES IN MEDIAN RENTS AND MEDIAN RENT-INCOME RATIOS

Income	Median Rent			Median rent-income ratio		
	1980	1979	1978	1980	1979	1978
$3,000 or less	$179	$147	$130	72+%	60+%	60+%
$3,000-6,999	187	172	165	47	44	42
$7,000-9,999	222	205	193	32	31	29
$10,000-14,999	249	232	214	25	24	22
$15,000-19,999	274	252	233	20	18	17
$20,000-24,999	296	277	256	17	16	14
$25,000-34,999	327	303	284	14	13	13
$35,000-49,999	362	337	326	12	11	11
$50,000-74,999	393	401	347	9-	10-	8-
$75,000 or more	423	359	283	7-	6-	5-
All renters	241	217	200	27	26	25

Source: Ibid. Ratios above 60% or below 10% are NLIHC estimates.

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TABLE 4 ESTIMATED SUBSIDIZED UNITS AS OF SEPTEMBER 30, 1981

Agency	Program	Units
HUD	Public housing	1,204,000
	202 housing for elderly and	
	handicapped (original program)	44,392
	Revised program (post-1974)	55,994
	Rent supplements	157,779
	236 rental housing assistance	537,206
	Section 8 housing assistance payments	1,318,927
	Subtotal, rental housing	3,318,298
	Less 202 units also receiving Section 8	-55,994
	Less estimated 236 units also receiving	
	Section 8 assistance	-95,000
	Less estimated 236 units also receiving	
	rent supplement assistance	-66,000
	Net rental units	3,101,304
	235 home ownership assistance	
	Old program (pre-1974)	158,226
	Revised program	82,313
	Net home ownership units	240,539
	Total HUD-subsidized units	3,341,843
FmHA	515 rental housing (estimated units)	210,000
	502 home ownership loans	1,639,309
	504 very low income repair grants	39,269
	Subtotal, home ownership	1,678,578
	Less estimated unsubsidized 502	-540,000
	Net FmHA home ownership units	1,138,578
	Project loans and grants:	
	Rural rental assistance (with 515)	1,517
	Farm labor housing loans (514)	1,395
	Farm labor housing grants (516)	188
	Site loans (524)	165
	Self-help housing grants	348
	Supervisory/technical assistance (525)	57
	Total FmHA*	1,151,000
	GRAND TOTAL	4,493,000

* Includes rough estimate of net units provided through project loans and grants (primarily farm labor housing, since other project loans listed here are coupled with 515 or 502 assistance).

Source: Estimated from HUD, FmHA and CRS sources.

TABLE 5 HOUSEHOLDS SERVED BY ASSISTED RENTAL HOUSING PROGRAMS

	Total	Below Poverty Levels Below 100%	Below 125%
<u>All households</u>			
Total	82,368	10,968	15,557
Renter-occupied	16,487	6,063	8,153
Living in subsidized housing	2,777	1,430	1,866
Percent of renters	10.4%	23.6%	22.9%
Households with children under 18 years old			
Total	34,329	4,928	6,607
Renters	10,036	3,126	3,949
Living in subsidized housing	1,297	787	917
Percent of renters	12.9	25.2	23.2
Householder 65 or over			
Total households	16,912	3,188	5,137
Renters	4,128	1,237	1,931
Living in subsidized housing	956	405	652
Percent of renters	23.2%	32.7%	33.8%
White householder			
Total households	71,872	7,828	11,593
Renters	21,135	3,934	5,549
Living in subsidized housing	1,612	745	1,029
Percent of renters	7.6%	20.0%	18.5%
Black householder			
Total households	8,847	2,864	3,588
Renters	4,618	1,941	2,383
Living in subsidized housing	1,075	643	771
Percent of renters	23.6%	33.1%	32.8%
Spanish-origin householder			
Total households	3,906	956	1,317
Renters	2,085	685	908
Living in subsidized housing	223	121	155
Percent of renters	10.7%	17.7%	17.1%

	Total	Below Poverty Levels Below 100%	Below 125%
Inside central cities			
Total households	24,473	4,106	5,743
Renters	11,343	2,878	3,895
Living in subsidized housing	1,534	846	1,091
Percent of renters	13.5%	29.4%	28.0%
Outside metropolitan areas			
Total households	26,296	4,224	5,935
Renters	6,526	1,801	2,357
Living in subsidized housing	688	349	459
Percent of renters	10.5%	19.4%	19.4%
Female-headed household			
Total	9,082	2,972	3,666
Renters	4,529	2,112	2,492
Living in subsidized housing	1,029	674	771
Percent of renters	22.7%	31.2%	30.9%

Source: Current Population Reports, "Characteristics of Households Receiving Noncash Benefits, 1980," CPR P-60, No. 128.

TABLE 6 . COMPARISON OF RENT-INCOME RATIOS FOR SUBSIDIZED AND UNSUBSIDIZED HOUSING TENANTS, 1980

Rent-income ratio	Subsidized No.	%	Unsubsidized No.	%
Under 10 percent	117	4.0	1,114	5.1
10-14 percent	228	7.8	2,605	11.8
15-19 percent	445	15.1	3,570	16.8
20-24 percent	664	22.6	3,153	15.9
25-34 percent	644	22.6	4,269	20.5
35-49 percent	292	10.0	3,207	14.6
50-59 percent	91	3.1	1,149	5.2
60 percent or more	385	13.1	3,358	15.6
Not computed	65	2.2	1,518	6.6
Total	2,932	25	23,942	27

TABLE 7 1980 CHARACTERISTICS OF HOUSEHOLDS LIVING IN SUBSIDIZED RENTAL HOUSING. (Households in thousands.)

CHARACTERISTICS	TOTAL	MED.INC.	-100% POV	%	-125%	%
ALL HOUSEHOLDS	2511	$4978	1170	46.5%	1573	62.6%
INSIDE METRO AREAS	1858	4959	867	46.6	1176	63.2
INSIDE CENTRAL CITIES	1373	4880	692	50.4	921	67.0
OUTSIDE CENTRAL CITIES	485	5386	175	36.0	256	52.7
OUTSIDE METRO AREAS	653	5078	302	46.2	397	60.7
NORTHEAST	794	6172	279	35.1	415	52.2
NORTH CENTRAL	538	4696	276	51.3	349	64.8
SOUTH	809	4617	476	58.8	583	72
WEST	370	4651	139	37.5	227	61.3
WHITE	1473	4822	592	40.1	863	58.5
BLACK	967	5367	549	56.7	671	69.3
SPANISH ORIGIN	202	6146	99	49.0	126	62.3
FAMILY HOUSEHOLDS	1491	6812	718	48.1	894	59.9
MARRIED COUPLES	596	9507	151	25.3	230	38.5
MALE HOUSEHOLDER	28	0	8	28.5	15	53.5
FEMALE HOUSEHOLDER	867	5325	558	64.3	650	74.9
NONFAMILY HOUSEHOLDS	1020	3955	452	44.3	680	66.6
MALE HOUSEHOLDER	28	0	8	28.5	15	53.5
FEMALE HOUSEHOLDER	792	3845	363	45.8	542	68.4
HOUSEHOLDER AGED 15-24	289	6227	143	49.4	174	60.2
AGED 25-34	543	6708	269	49.5	337	62.0
AGED 35-44	339	7100	180	53.0	210	61.9
AGED 45-54	221	6286	104	47.0	136	61.5
AGED 55-64	256	4720	125	48.8	164	64.0
65 OR OVER	863	4087	349	40.4	552	63.9
SINGLE PERSONS	980	3892	443	45.2	662	67.5
TWO PERSONS	494	6425	171	34.6	235	47.5
THREE PERSONS	436	6758	186	42.6	241	55.2
FOUR PERSONS	277	7054	147	53.0	178	64.2
FIVE PERSONS	159	6861	107	67.2	124	77.9
SIX PERSONS	83	4245	54	65.0	63	75.9
SEVEN OR MORE	82	8895	62	75.6	71	86.5
MEMBERS UNDER 19	1173	6475	659	56.1	797	67.9
TOTAL PEOPLE	2680	6516	1711	63.8	2007	74.8
WORKED IN 1979	989	8283	312	31.5	434	43.8
DID NOT WORK	1456	3981	854	58.6	1128	77.4

Source: "Characteristics of Households and Persons Receiving Noncash Benefits, 1979 (Preliminary data from the March 1980 Current Population Survey)," Table 5. Bureau of the Census, Current Population Reports, Series p-23, No. 110.

TABLE 7 CONT'D. CHARACTERISTICS OF HOUSEHOLDS IN SUBSIDIZED RENTAL HOUSING, 1980 (Percent distribution).

CHARACTERISTICS	TOTAL	MED.INC.	BELOW 100% POV.	BELOW 125% POV
ALL HOUSEHOLDS	100%	100%	100%	100%
INSIDE METRO AREAS	73.9	99.6	74.1	74.7
INSIDE CENTRAL CITIES	54.6	98.0	59.1	58.5
OUTSIDE CENTRAL CITIES	19.3	108.1	14.9	16.2
OUTSIDE METRO AREAS	26.0	102.0	25.8	25.2
NORTHEAST	31.6	123.9	23.8	26.3
NORTH CENTRAL	21.4	94.3	23.5	22.1
SOUTH	32.2	92.7	40.6	37.0
WEST	14.7	93.4	11.8	14.4
WHITE	58.6	96.8	50.5	54.8
BLACK	38.5	107.8	46.9	42.6
SPANISH ORIGIN	8.0	123.4	8.4	8.0
FAMILY HOUSEHOLDS	59.3	136.8	61.3	56.8
MARRIED COUPLES	23.7	190.9	12.9	14.6
MALE HOUSEHOLDER	1.1	—	.6	.9
FEMALE HOUSEHOLDER	34.5	106.9	47.6	41.3
NONFAMILY HOUSEHOLDS	40.6	79.4	38.6	43.2
MALE HOUSEHOLDER	1.1	—	.6	.9
FEMALE HOUSEHOLDER	31.5	77.2	31	34.4
HOUSEHOLDER AGED 15-24	11.5	125	12.2	11.0
AGED 25-34	21.6	134.7	22.9	21.4
AGED 35-44	13.5	142.6	15.3	13.3
AGED 45-54	8.8	126.2	8.8	8.6
AGED 55-64	10.1	94.8	10.6	10.4
65 OR OVER	34.3	82.1	29.8	35.0
SINGLE PERSONS	39.0	78.1	37.8	42.0
TWO PERSONS	19.6	129.0	14.6	14.9
THREE PERSONS	17.3	135.7	15.8	15.3
FOUR PERSONS	11.0	141.7	12.5	11.3
FIVE PERSONS	6.3	137.8	9.1	7.8
SIX PERSONS	3.3	85.2	4.6	4.0
SEVEN OR MORE	3.2	178.6	5.2	4.5
MEMBERS UNDER 19	46.7	130.0	56.3	50.6
TOTAL PEOPLE				
WORKED IN 1979	39.3	166.3	26.6	27.5
DID NOT WORK	57.9	79.9	72.9	71.7

SOURCE: CHARACTERISTICS OF HOUSEHOLDS AND PERSONS Source: "Characteristics of Noncash Benefits, 1979 (Preliminary data from the March 1980 Current Population Survey)," Table 5. Bureau of the Census, Current Population Reports, Series p-23, No. 110.

TABLE 8 IMPACT ON RENTS OF COUNTING FOOD STAMPS AS INCOME, SECTION 8 TENANTS, 1981 INCOME FIGURES.

FOR PRESENT TENANTS WITH RENTS AT 26% OF INCOME

TENANTS WITH INCOMES OF UNDER 10% OF MEDIAN

HOUSEHOLD SIZE	GROSS INCOME	OLD RENT	NEW RENT	$ INCREASE	% INCREASE	$ REMAINING
ONE	1242	26.28	36.4	10.12	38.5	67.09
TWO	1196	19.13	44.63	25.5	133.2	55.03
THREE OR FOUR	1459	18.23	69.32	51.09	280.2	52.26
FIVE OR SIX	1704	21.3	96.54	75.24	353.2	45.46
NINE OR MORE	1838	22.97	98.21	75.24	327.5	54.95
ELDERLY	1242	24.07	34.19	10.12	42	69.31

TENANTS WITH INCOMES OF 11-20 PERCENT OF MEDIAN

HOUSEHOLD SIZE	GROSS INCOME	OLD RENT	NEW RENT	$ INCREASE	% INCREASE	$ REMAINING
ONE	2280	48.33	51.71	3.38	6.9	138.29
TWO	2311	42.94	61.19	18.25	42.5	131.39
THREE OR FOUR	2707	42.94	85.92	42.98	100	139.66
FIVE OR SIX	3051	38.13	104.61	66.48	174.3	149.64
NINE OR MORE	3582	44.77	111.25	66.48	148.4	187.25
ELDERLY	2326	47.88	50.96	3.08	6.4	142.87

TENANTS WITH INCOMES OF 21-30 PERCENT OF MEDIAN

HOUSEHOLD SIZE	GROSS INCOME	OLD RENT	NEW RENT	$ INCREASE	% INCREASE	$ REMAINING
ONE	3348	70.76	70.76	0	0	208.24
TWO	3740	73.49	82.46	8.97	12.2	229.2
THREE OR FOUR	4506	81.42	112.71	31.29	38.4	262.79
FIVE OR SIX	5308	83.95	135.76	51.81	61.7	306.57
NINE OR MORE	5914	73.92	125.73	51.81	70	367.1
ELDERLY	3314	68.25	68.25	0	0	207.91

TABLE 9

ESTIMATED IMPACT ON RENTS OF COUNTING FOOD STAMPS
AS INCOME FOR WELFARE MOTHER WITH TWO CHILDREN
USING 1982 AFDC AND FOOD STAMP GRANTS

STATE	AFDC GRANT	FOOD STAMPS	OLD RENT	NEW RENT	DOLLAR INCREASE	% INCREASE	INCOME REMAINING
ALABAMA	$118	$183	$17.68	$65.26	$47.58	269.1%	52.74
ARIZONA	202	164	39.52	82.16	42.64	107.8	119.84
ARKANSAS	122	183	18.72	66.30	47.58	254.1	55.70
CALIFORNIA	506	73	118.56	137.54	18.98	16.0	368.46
COLORADO	313	131	68.38	102.44	34.06	49.8	210.56
CONNECTICUT	427	97	98.02	123.24	25.22	25.7	303.76
DELAWARE	266	145	56.16	93.86	37.70	67.1	172.14
DIST/COL	300	135	65.00	100.10	35.10	53.9	199.9
FLORIDA	209	162	41.34	83.46	42.12	101.8	125.54
GEORGIA	183	170	34.58	78.78	44.20	127.8	104.22
IDAHO	314	131	68.64	102.70	34.06	49.6	211.30
ILLINOIS	302	134	65.52	100.36	34.84	53.1	201.64
INDIANA	255	149	53.30	92.04	38.74	72.6	162.96
IOWA	360	117	80.60	111.02	30.42	37.7	248.98
KANSAS	328	127	72.28	105.30	33.02	45.6	222.70
KENTUCKY	188	169	35.88	79.82	43.94	122.4	108.18
LOUISIANA	190	168	36.40	80.08	43.68	120.0	109.92
MAINE	301	135	65.26	100.36	35.10	53.7	200.64
MARYLAND	270	144	57.20	94.64	37.44	65.4	175.36
MASSACHUSETTS	379	111	85.54	114.4	28.86	33.7	264.60
MICHIGAN	395	107	89.70	117.52	27.82	31.0	277.48
MINNESOTA	446	91	102.96	126.62	23.66	22.9	319.38
MISSISSIPPI	96	183	11.96	59.54	47.58	397.8	36.46
MISSOURI	248	151	51.48	90.74	39.26	76.2	157.26
MONTANA	306	133	66.56	101.14	34.58	51.9	204.86
NEBRASKA	350	120	78.00	109.20	31.20	40.0	240.80
NEW HAMPSHIRE	346	121	76.96	108.42	31.46	40.8	237.58
NEW JERSEY	360	117	80.60	111.02	30.42	37.7	248.98
NEW MEXICO	248	151	51.48	90.74	39.26	76.2	157.26
NEW YORK	424	98	97.24	122.72	25.48	26.2	301.28
N. CAROLINA	192	167	36.92	80.34	43.42	117.6	111.66
N. DAKOTA	357	118	79.82	110.50	30.68	38.4	246.50

STATE	AFDC GRANT	FOOD STAMPS	OLD RENT	NEW RENT	DOLLAR INCREASE	% INCREASE	INCOME REMAINING
OHIO	$263	$146	$55.38	$93.34	$37.96	68.5%	$169.66
OKLAHOMA	282	140	60.32	96.72	36.4	60.3	185.28
OREGON	321	129	70.46	104.00	33.54	47.6	217.00
PENNSYLVANIA	318	130	69.68	103.48	33.8	48.5	214.52
RHODE ISLAND	453	89	104.78	127.92	23.14	22.0	325.08
S. CAROLINA	133	183	21.58	69.16	47.58	220.4	63.84
S. DAKOTA	321	129	70.46	104.00	33.54	47.6	217.00
TENNESSEE	122	183	18.72	66.30	47.58	254.1	55.70
TEXAS	118	183	17.68	65.26	47.58	269.1	52.74
UTAH	367	115	82.42	112.32	29.9	36.2	254.68
VERMONT	477	82	111.02	132.34	21.32	19.2	344.66
VIRGINIA	255	149	53.30	92.04	38.74	72.6	162.96
WASHINGTON	440	93	101.40	125.58	24.18	23.8	314.42
WEST VIRGINIA	206	163	40.56	82.94	42.38	104.4	123.06
WISCONSIN	473	83	109.98	131.56	21.58	19.6	341.44
WYOMING	315	131	68.90	102.96	34.06	49.4	212.04

SOURCE: Calculated by National Low Income Housing Coalition from information on welfare and food stamp grants contained in "Profiles of Families in Poverty: Effects of the FY 1983 Budget Proposals on the Poor" by Tom Joe, Center for the Study of Social Policy, February 1982. Rent is assumed to be 26% of income, with $300 annually deducted from income for each dependent.

membership application

return to:
national low income housing coalition
215 8th st. n.e., washington, d.c. 20002

individual membership: Regular $25; General $10; Sponsoring $100; Sustaining $500.

organizational membership: National Organization, Contributing State or Local Organization, $100; Federally Funded Organizations serving low-income people, $50; Organizations whose membership and Board are low income people, $10; Other State and Local Organizations, $25; Sponsoring Organizations, $250; Supporting Organizations, $500; Sustaining, $1,000.

enclosed is $ ____________ for a ____________ membership.

name

address ____________ city ____________

state ____________ zip ____________ phone (with area code) ____________

if organizational membership representative ____________

name of U.S. Representative or congressional district ____________

coalition membership

Membership is open to all individuals and organizations who care about providing decent shelter to low-income people at a price they can afford. Extensive membership in the Coalition signals Congress and the Administration that there is broad support for decent housing. Neither organizations nor individuals are bound by specific positions of the Coalition. Membership is on a calendar basis.

individuals/state and local organizations

$25. These members pay the direct costs of providing them with all regular mailings, but they don't help much with our rent and salaries.

low income organizations/individuals

$10. These members are important to the Coalition for they show the strength of the support for decent housing, but they don't pay their own way.

national organizations/contributing state or local organizations

$100. This is a "break-even" membership, covering direct costs and a fair share of over-head.

federally funded organizations serving low-income people

$50. This is a special rate which helps us cover costs, please send more if you can.

sponsoring membership

$100. Individuals • $250. Organizations
These members pay their share and a bit more. Copies of testimony are free to them on request.

sustaining membership

$1,000. Organizations • $500. Individuals
These members are the key to our present and future survival.

X200

National Low Income Housing Coalition

215 Eighth Street, N.E., Washington, D.C. 20002 • (202) 544-2544

Hon. Edward W. Brooke, *Chairperson* Cushing N. Dolbeare, *President*

December 21, 1981

President Ronald Reagan
The White House
Washington, DC 20500

Dear Mr. President:

The National Low Income Housing Coalition and the undersigned 110 national and 1,508 state and local organizations from all fifty states urge you to provide sufficient funds in your 1983 budget proposals to maintain a credible commitment to meeting the housing needs of low income people. These needs are increasing in urgency as shelter costs continue to rise, while incomes do not. Nor can the housing needs of the poor be met by a general revival of the economy or additional investment in unsubsidized housing.

Recently, your Commission on Housing issued its First Interim Report. This report states, as one of its basic principles, that the federal government has a continuing role in meeting the housing needs of the poor. It identifies ten million renter households -- only one quarter of whom are living in assisted housing -- as requiring assistance if they are to live in decent housing at costs they can afford. The vast majority of these households are now inadequately housed: their rents are unaffordable or their units are in such poor condition that their health and safety are threatened. Meanwhile, the stock of privately owned low rent housing has shrunk almost to the point of disappearance.

Low income housing cannot be curtailed at this time without grave consequences for thousands of low income households already in desperate circumstances. We urge that, instead of cutting back on low income housing assistance, you explicitly make it part of the "safety net."

Sincerely,

Edward W. Brooke
Chairperson

FOR THE FOLLOWING NATIONAL ORGANIZATIONS:

ACORN
Ad Hoc Coalition for Housing for the Elderly
Amalgamated Clothing and Textile Workers
American Association of Homes for the Aging
American Association of Retired People/National Retired Teachers Association

American Association of University Women
American Federation of State, County, and Municipal Employees
American Friends Service Committee
American Institute of Architects
American Savings and Loan League
Association for Government Assisted Housing, Inc.
Association for Retarded Citizen , U.S.
B'nai B'rith Senior Citizens Housing
Board of Global Ministries National Division, United Methodist Church
Center for Community Change
Center for National Policy Review
Center for Women's Policy Studies, Older Women's Program
Children's Defense Fund
Civic Action Institute
Clergy and Laity Concerned
Coalition for Low and Moderate Income Housing
Coalition for UDAG
Communications Workers of America
Cooperative Housing Foundation
Cooperative League of the U. S.
Council for Rural Housing and Development
Council of Large Public Housing Authorities
Council of One Hundred
Council of State Housing Agencies
Federation of Southern Cooperatives
Fund for an Open Society
General Board of Church and Society of the United Methodist Church
Gray Panthers
Housing and Urban Affairs Committee, Church of God in Christ
Housing Assistance Council
Housing Task Force, Leadership Conference on Civil Rights
Human Environment Center
International Ladies' Garment Workers Union
International Union of Operating Engineers
Interreligious Coalition for Housing
Japanese-American Citizens League
Joint Center for Political Studies
League of Women Voters of the U.S.
Legal Research and Services for the Elderly
Legal Services Community Development Task Force
Lutheran Housing Coalition
Martin Luther King Jr. Center for Social Change
Mobile Home Owners of America
Multi Family Finance Action Council
National American Indian Housing Council
National Association of Housing and Redevelopment Officials (NAHRO)
National Association of Housing Cooperatives
National Association of Land Owners
National Association of Social Workers
National Catholic Rural Life Conference
National Caucus and Center on the Black Aged
National Center for Urban Ethnic Affairs
National Committee Against Discrimination in Housing
National Community Design Center

National Community Design Center Directors Association
National Conference of Catholic Charities
National Conference of Democratic Mayors
National Congress of American Indians
National Congress of Neighborhood Women
National Congress on Community and Economic Development
National Council of Churches
National Council of Negro Women
National Council of La Raza
National Council of Senior Citizens
National Hispanic Housing Coalition
National Housing Conference
National Housing Law Project
National League of Cities
National Leased Housing Association
National Low Income Housing Coalition
National Neighbors
National Office of Jesuit Social Ministries
National People's Action
National Puerto Rican Forum
National Rura Housing Coalition
National Tenants Union
National Urban Coalition
National Urban League
National Women's Political Caucus
Native Amer can Rights Fund
Neighborhood Coalition
NETWORK
Office of Church and Society, United Church of Christ
Planners Network
Presbyterian Disabilities Concerns Caucus
Presbyterian Health, Education and Welfare Association (PHEWA)
Public Housing Authorities Directors Association
Rural America
Rural American Women
Rural Coalition
Rural Ministry Institute
Service Employees International Union
Shelterforce
Southern Christian Leadership Conference
Unitarian Universalist Association
United Auto Workers
United Cerebral Palsy Associations, Inc.
United Church Board for Homeland Ministries
United Electrica Worker
United Food and Commercial Workers
United Neighborhood Centers of America
United States Catholic Conference
Washington Office of the Episcopal Church
Washington Office, United Presbyterian Church
Women's Equity Action League (WEAL)
Working Group for Community Development Reform

AND THE FOLLOWING STATE AND LOCAL ORGANIZATIONS:

Alabama

Alabama Association of Cooperatives
Alabama Coalition Against Hunger
Alabama Housing Coalition
Claiborne Catfish Cooperative (Beatrice)
Congress for Human Services in Alabama
Friends of Greene County Credit Union (Eutaw)
Greater Birmingham Ministries
Housing Authority of the Birmingham District
Legal Services Corporation of Alabama
Minority People's Council on the Tennessee-Tombigbee Waterway (Gainesville[illegible]
Mobile Community Organization
MOMS (Mothers of Many in Selma)
P.L.B.A. Housing Development Corporation (Gainesville)
SWAFCA (Southwest Alabama Farmers Cooperative Association)
Wil-Low Non-Profit Housing Corporation, Inc. (Hayneville)

Alaska

Alaska Chapter, National Association of Social Workers
Alaska State Housing Authority
AWARE (Juneau)
Coalition for Economic Justice (Anchorage)
Juneau Legal Services
Juneau Tenants Coalition
Juneau Women's Resource Center
Tlingit-Haida Central Council (Juneau)

Arizona

Arizona Community Action Association
Arizona Housing Coalition
CEDBA, Lillian Lopez Branch (Tucson)
Chicanos por la Causa (Phoenix)
Flagstaff Coalition for Better Housing
[illegible]portunities (Phoenix)
National Council of La Raza, Arizona
Pe[illegible]ell Gila Council for Senior Citizens (Coolidge)
PPEP Housing Development Corporation
Project PPEP (Tucson)
San Carlos Apache Tribe
Tucson Community Development and Design Center
Yuma County Housing Development Corporation

Arkansas

Arkansas Delta Housing Development Corporation
Madison Self-Help Development Corporation (Madison)
Office of Human Concern (Rogers)

Save the Children Federation - Arkansas Delta Project

California

Ruth Yannatta Goldway, Mayor of Santa Monica
James Conn, Kenny Edwards, Dolores Press, and Dennis Zane, Santa Monica City Council
Nancy Walker, Supervisor, City and County of San Francisco

Asian, Incorporated (San Francisco)
Bernal Heights Community Development Corporation (San Francisco)
California Association of Tenants
California Campaign for Economic Democracy
California Coalition for Rural Housing
California Rural Legal Assistance
Capital Concepts Investment Corporation (San Francisco)
Center for Community Economics (Santa Rosa)
Chinatown Central District Council (Oakland)
Chinatown Neighborhood Improvement Resource Center (San Francisco)
Chinese Community Housing Corporation
CHISPA (Salinas)
Church Women United, Southern California/Southern Nevada
Citizens for Affordable Housing (Santa Rosa)
Coalition for Economic Survival (Los Angeles)
Community Design Center (San Francisco
Community Development Coalition (Los Angeles)
Community Economics, Inc. (Oakland)
Community Housing Developers, Inc. (San Jose)
Community Housing, Inc. (Palo Alto)
Community Housing Services (South Pasadena)
Community Relations Conference of Southern California
Community Resources for Independence Santa Rosa)
Council of Commun ty Housing Organizations (San Francisco)
Eas Bay Asian Local Development Corporation (Oakland)
Ecumenica Association for Housing (San Rafael)
Eden Housing, Inc. (Hayward
Fair Housing Congress of Southern California
Fillmore Community Development Corporation (San Francisco)
FSCHTA Fu erton South Central Homeowners and Tenants Association)
Gra z and Wolfson Attorneys at Law (Los Angeles)
Haight-Ashbury Community Development Corporation (San Francisco)
Haight-Ashbury Neighborhood Council (San Francisco)
Housing Action (San Jose
Housing Authority of the City of Madera
Housing Development and Neighborhood Preservation Corporation (La Raza), (San Franc sco)
Inquilinos Hispanos Unidos (Los Angeles)
Jesuit Social Ministries (Santa Ana)
Legal Aid Foundation (Los Angeles)
Long Beach Housing Action and Assistance
Los Angeles Community Design Center
Mayfair Knitters of Healdsburg (Healdsburg)
Midpeninsula Citizens for Fair Housing (Palo Alto)
Mid-Peninsula Coalition for Housing Fund (Palo Alto)

Northern California Association for Nonprofit Housing (Berkeley)
North of Market Planning Coalition (San Francisco)
Oakland Better Housing, Inc.
Pacific Equity Investment Corporation (Woodland Hills)
Pacific Management Corporation (Woodland Hills)
Palo Alto Housing Corportion
P.E.I.C. Corporation (Woodland Hills)
P.E.I.C. Securities Corporation (Woodland Hills)
People Coordinated Services of Southern California, Inc. (Los Angeles)
People's Serl-Help Housing Corporation of San Luis Obispo County, Inc.
Pico Neighborhood Association (Santa Monica)
Potrero Hill Community Development Corporation (San Francisco)
Richmond Coordinated Neighborhood Councils, Inc. (45 councils)
Rural Community Assistance Corporation (Sacramento)
San Antonio Community Development CD District Council (Oakland)
San Antonio Community Development Corporation (Oakland)
San Francisco Information Clearinghouse
Santa Cruz Community Credit Union (Santa Cruz)
Santa Monica Rent Control Board
Santa Monicans for Renters Rights (Santa Monica)
Sonoma County Chapter of NAACP
Sonoma County Council on the Aging
Sonoma County Section on the Aging
Sonoma County Council on Community Services
Sonoma County People for Economic Opportunity
South Stockton Community Concerns
Southern California Urban Coalition
Tenants and Owners Development Corporation (San Francisco)
The Flower of the Dragon (Cotati)

Colorado

ACORN (Colorado)
Alamosa Housing Authority
Alliance for Basic Human Needs (Denver)
Alta Vista Neighborhood Council
American Friends Service Committee of Colorado
Boulder Gray Panthers
Center for Community Development and Design (Denver)
Center for Environmenta Design, Education, and Research (Boulder)
Center for Rural Development
City of Del Norte
Colorado Chapter, National Association of Social Workers
Colorado Civil Rights Division
Colorado Council on Migrant and Seasonal Agricultural Workers and Families
Colorado Division of Housing
Colorado Hispanic Housing Coalition
Colorado Housing Counseling Coalition
Colorado Housing, Inc.
Colorado Rural Housing Development Corporation
Colorado Senior Lobby, Inc.
Colorado Rural Legal Services
Colorado Social Legislation Committee

Commission on Community Relations of City and County of Denver
Committee for the Restoration of Representative Government (Pueblo)
Community Institute for Development and Design (Colorado Springs)
Concerned Citizens Congress of Northeast Denver
COPIRG Colorado Public Interest Research Group)
Co tilla Housing Authority
Denver Catholic Community Services
Denver Commission on Aging
Denver Housing Authority
Denver Housing Law Panel
Denver Opportunity, Inc.
Denver Tenants Union
Denver Urban League Coalition
Fort Collins Housing Authority
Housing Issues Task Force
La Jara Housing Authority
Mental Health Association
Metro Denver Urban Coalition
NAHRO (Colorado)
North Denver Neighborhood Development Center
Northeast Denver Neighborhood Development Center
Northwest Colorado Legal Services Project
Office of Housing Development, City of Monte Vista
Sacred Heart Housing Corporation
San Luis-Blanca-Fort Garland Development Corporation
Sisters of Loretto
The Christian Caring Ministry
The Resource Assistance Center
The Urban Institute (Denver)
Westside Neighborhood Design Center (Denver)

Connecticut

American Friends Service Committee, Connecticut Office
Ansonia Economic Development Commission
Ansonia Fair Housing Office
A. Philip Randolph Institute, Ansonia Chapter
Catholic Charities Archdiocese of Hartford
Community Housing Coalition (Stamford)
Connec icut Citizens Action Group
Derby Community Development Agency
Derby Housing Authority
Fairfield County Branch, Women's International League for Peace and Freedom (Bridgeport)
Family and Children s Services of Connecticut
Governor's Central Housing Committee, State of Connecticut
Homebuilders Association of Connecticut
Housing Coalition for the Capitol Region (Hartford)
Neighborhood Housing Coalition (Hartford)
New Haven Legal Assistance
Seymour Housing Authority
Seymour Housing Authority Tenants Association
Valley Citizens for Racial Equality (Ansonia)
Valley Symposium Committee for Employment (Ansonia)

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Women's International League for Peace and Freedom, Fairfield County Branch

Delaware

Appoquinimink Development, Inc. (Middletown)
City of Wilmington Department of Realty and Housing
Community Design Center (Wilmington)
Community Housing, Inc. (Wilmington)
Delaware Chapter, National Association of Social Workers
Delaware Human Relations Commission
Delaware State Housing Authority
Equal Opportunity Committee of the New Castle County Board of Realtors
Housing Opportunities of Northern Delaware
Illusion of Security Project Pacem in Terris (AFSC)
Kent County Self-Help Housing Corporation (Dover)
Kingswood Community Center, Inc. (Wilmington)
Milford Housing Development Corporation (Milford)
NCALL Research (Dover)
New Castle County Department of Community Development and Housing
Parity Development Corporation (Wilmington)
People's Settlement Associates (Wilmington)
Saint Anthony's Community Center (Wilmington)
The September 19th Coalition (Wilmington)
WILMAPCO (Wilmington Metropolitan Area Planning Council)
Wilmington Department of Planning
Wilmington Housing Authority
Wilmington United Neighbors

District of Columbia

Adams-Morgan Organization
Christic Ins itute
Coalition for the Homeless
D.C. Housing Action Council
Far Southeast Community Organization
14th and U Streets Coalition
Gray Panthers of Metropo itan Washington
Housing Counseling Service , Inc.
Housing Task Force of the Metropolitan Washington Interfaith Conference
King Emmanuel Baptist Church
Massachusetts Avenue Cooperative Association
Metropolitan Washington Planning and Housing Association
NCBA Housing Development Corporation of the District of Columbia
Office of Social Development for the Archdiocese of Washington
Patrick H. Hare Planning and Design
Saints Paul and Augustine Neighborhood Housing Organization, Inc.
Sojourners Housing Office
Southern Columbia Heights Tenants Union
Washington Inner City Self-Help

Florida

Black Lawyers Association (Miami)
Center for Independent Living (Orlando)

Centers Resi-Serv, Inc. (Tampa)
Central Florida Legal Services
Central Florida War Resisters League (Orlando)
Centro Campesino (Homestead)
City of Tampa
Coalition of Black Organizations (Miami)
Coalition of Hispanic-American Women (Miami)
Coalition of Senior Citizens Inc. (Tampa)
Community Relations Board of Dade County
CTA River Apartments, Inc. (Tampa)
Council of Community-Based Organizations (Orlando)
Dade County HUD Advisory Board
Dade County Council of Senior Citizens
East Coast Self-Help Housing (Vero Beach)
Eastern Star, Margie Cooper Chapter No. 62 (Sebring)
Epilepsy Association (Orlando
Florida Nonprofit Housing Sebring)
Florida State Commission on Hispanic Affairs
Florida State Council of Senior Citizens
Greater Orlando Legal Services
Haciendas de Ybor Apartments (Tampa)
Haciendas Villas (Tampa)
Hardee Rental Homes Bowling Green)
Hillsborough Association of Homes for the Aging
Hillsborough County Housing Assistançe Department
Home and Housing Inc. (Miami)
Highway Park Housing (Lake Placid)
Homes in Partnership (Apopka)
Hospice of Central Florida (Orlando)
Indiantown Nonprofit Housing (Indiantown)
Jewish Tower Resident Association (Tampa)
Jewish Towers (Tampa)
Justice and Peace Office (Orlando)
Lee County Housing Authority (Fort Myers)
Mary Walker Towers (Tampa)
Metropo itan Dade County Community Action Agencies
Miami/Dade Black Social Workers Association
Miami/Dade County Association of Blacks in Government
Opa Locka Community Development Corporation
Opa Locka NAACP
Orlando Area National Organization for Women
Overall Tenant Advisory Council of Dade County (representing
22 tenants councils and 5,000 residents)
People's Transit Organization (Orlando)
Progressive Alliance (Orlando)
Recruitment and Training Program (Orlando)
Sebring Housing Research and Development (Sebring)
Senior Centers of Dade County, Inc.
South Florida Asso iation of Black Psychologists
Southwest Community Mental Health Center (Orlando)
Tampa Chapter of NAACP
Tampa Housing Authority
Tampa United Methodist Centers
We Care (Orlando)

West Orange Farmworkers Health Organization (Apopka)
Women's Political Caucus of Metropolitan Orlando
Young Women's Community Club (Orlando)

Georgia

Area Action to Improve Opportunity Now, Inc. (ACTION), (Athens)
Atlanta Labor Council
Bethlehem Area Community Association (Augusta)
Citywide League of Neighborhoods (Atlanta)
DeKalb Housing Counseling Center
District 5, NAACP (Atlanta)
Enrichment Service Program (Columbus)
Garlanding Heights Tenants Association
Georgia Chapter of NAACP
Georgia Federation of Housing Counselors
Georgia Housing Coalition
Georgia Residential Finance Authority
Georgia State AFL-CIO
Georgia State Association of Cooperatives
Georgia State A. Philip Randolph Institute
Hartwell Citizens in Action (Atlanta)
Henry County Citizens for a Better Community
Inter-Community Organization Council (Augusta)
Interfaith, Inc. (Atlanta)
Johnson County Clients Council
Lawrence County Clients Council
Metro Atlanta Housing Coalition
Metro Fair Housing Services (Atlanta)
New Burke Housing Corporation (Wayneboro)
Southeast Association of Housing Cooperatives
Southeast Region, American Friends Service Committee
Southern Neighborhoods
Urban Housing Committee, Inc. (Atlanta)
Urban League Housing Center (Atlanta)
Wayne County NAACP
West Georgia Farmers Cooperative

Hawaii

Lt. Gov. Jean King
Mary Anderson, Mayor of City and County of Honolulu

American Friends Service Committee, Hawaii Program Office
Consumers Housing Task Force of Hawaii
Hawaii Chapter, National Association of Social Workers
Hawaii Coalition on Federal Budget (55 organizations)
Hawaii Council of Churches Legislative Committee
Hawaii Housing Authority
Hawaii State AFL-CIO

Idaho

Association for Inner Community Development (Hayden Lake)

A.Y.U.D.S.
Eastern Idaho Special Services Agency
El-Ada
Idaho Citizens Coalition
Idaho Housing Coalition
Idaho Migrant Council
Idaho Homebuilder Association
Idaho Mortgage Bankers Association
Intermountain Management Association
Rothschild Financial Corporation
Southeastern Idaho Community Action Agency

Illinois

Bikerdike Redevelopment Corporation (Chicago)
Champaign-Urbana Tenant Union
Chicago Area Fair Housing Network
Chicago Metropolitan Area Senior Citizens Senate
Chicago Rehab Network
Community Caring Conference (Chicago)
Concerned Citizens of North Lawndale (Chicago)
Evanston Neighbors at Work
Family Services of Champaign County
Federation ot Black Taxpayers (Chicago)
Frances Nelson Health Center (Champaign)
Greater Champaign Area Chapter National Organization for Women (NOW)
Home Builders Asso iation of Illinois
Hope Fair Housing Center (Glen Ellyn)
Housing Committee Southern Suburb of Chicago
Housing Resource Center Hull House Association (Chicago)
Hyde Park Coalition on Housing and Tenants Rights (Chicago)
I-CARE Illinois Coalition Against Reagan Economics)
Illinois Benedictine College Lisle)
Illinois National Organization for Women (NOW)
Illinois Public Ac ion Committee
Illinois State Council of Senior Citizens Organizations
Lawless Garden Tenant Committee (Chicago)
Lawyers Committee for Better Housing (Chicago)
Leadership Council for Metropolitan Open Communities (Chicago)
Long Grove Tenants Council (Chicago)
Madison County Homebuilders Association
Madison County Homebuilders Association Auxiliary
Metro Seniors in Action (Chicago)
Metropolitan Housing and Planning Council (Chicago)
Metropolitan Tenants Organization (Chicago)
Minority Economics Resources Corporation (Des Plaines)
North Avenue Day Nursery (Chicago)
North Shore Interfaith Housing Council, Inc. (Wilmette)
Organization for Palmer Square (Chicago)
People's Resource Center (Wheaton)
Pierce North Tenant Organization (Chicago)
Pilsen Housing and Business Alliance (Chicago)
Quadras Unidas of East Humboldt Park (Chicago)
Rogers Park Tenants Committee (Chicago)

St. Procopius Abbey (Lisle)
Sacred Heart Convent (Lisle)
Sisters of Mercy, Province of Chicago, Administrative Team
South Austin Coalition Community Council (Chicago)
South Shore Commission (Chicago)
South Shore Housing Center (Chicago)
Tenants Organization of Evanston
UNITE (United Neighborhoods Intertwined for Total Equality (Chicago)
United Block Club of East Humboldt Park (Chicago)
United Block C ubs of Wicker Park (Chicago)
United Neighbors Tenant Organization (Chicago)
Urban League of Champaign County
We Care -- We Share (Joliet)
Westtown Concerned Citizens Coalition (Chicago)

Indiana

Colonial Gardens Tenants Council (Gary)
Concord Village Tenants Council (Gary)
Cornerstone Baptist Church (Gary)
Delaney Tenants Council (Gary)
Dennis Ott and Co., Inc. (Waynesville)
Dory Miller Tenants Council (Gary)
Duneland Village Tenants Council (Gary)
East Glen Park Tenants Council (Gary)
Gary Citywide Tenants Council (Gary)
Gary Manor Tenants Council (Gary)
Hoosier Housing Assistance Bureau
Hoosier Upland Development Corporation (Mitchell)
Indiana State Housing Board
Ivanhoe Gardens Tenant Council (Gary)
Lincoln Hills Development Corporation (Tell City)
100 West Eleventh Tenant Council (Gary)
1117 Exchange Tenants Council (Gary)
Patchwork Central Evansville)
Puller Mortgage Associations, Inc., (Indianapolis)
Ralph M. Wallem Engineering, Inc., (Huntingburg)
Seufert Supply and Construction Co. (Ferdinand)
666 Jackson Tenants Council (Gary)
3280 Pierce Street Tenants Council (Gary)
Wayne E. Seufert and Associations, Inc. (Ferdinand)

Iowa

American Friends Service Committee, Iowa Committee
Catholic Social Services for the Diocese of Des Moines
Citizens for Community Improvement (Cedar Rapids)
Citizens for Community Improvement (Des Moines)
Coalition for Community Remorm (Sioux City)
Council Bluffs Citizens for Community Improvement
Des Moines ACORN
Des Moines Catholic Worker House
Elderly Services for Polk County Social Services
Four-Mile Neighborhood Priority Board (Des Moines)

HOME, Inc. (Home Opportunities Made Easy, Inc.)
Iowa Area, United Methodist Church
Iowa Coalition of Community Organizations
Iowa Farmers Union
Iowa Federation of Labor, AFL-CIO
Iowa Poor People's Congress
Iowa Progressive Coalition, Black Hawk County
Roman Catholic Diocese of Des Moines
Rural America, Midwest Regional Office
Rural Iowa, Inc
Sherman Hill Association, Inc.
Social Action Department of the Diocese of Davenport

Kansas

Everywoman's Resource Center (Topeka)
Indian Center of Topeka
Jayhawk Area Agency on Aging (Topeka)
Kansas Chapter, National Association of Social Workers
Kansas Farmers Union
Shawnee County Community Assistance and Action
Topeka Housing Information Center
Turner House (Kansas City)

Kentucky

Appalachian Alliance
Catholic Committee on Appalachia (Prestonburg)
Christian Family Housing Service (Harlan)
Citizens for Social and Economic Opportunity (Hindman)
Concerned Citizens of Martin County, Inc.
Federation of Appalachia Housing Enterprises (Berea)
Frontier Housing, Inc. (Morehead)
Hope Housing Inc. (Irvine)
Interfaith Building Corporation of Bell County (Pineville)
Kentucky Fair Tax Coalition
Kentucky Mountain Housing Development Corporation
Kentucky Rural Housing Coalition
Southeastern Women's Employment Coalition (Versailles)

Louisiana

Assembly of Vance (Henderson)
Coalition for Action, Inc. (New Orleans)
Coalition for Human Dignity, Inc. (New Orleans)
Granville County Hunger Coalition
Hope House, Inc. (New Orleans)
Louisiana Chapter, National Association of Social Workers
St. Landry Low Income Housing Association (Palmetto)
Southern Mutual Help Association (Jeanerette)
Treme-East Neighborhood Association (New Orleans)

Maine

Aroostook Regional Task Force for Older Citizens
Bangor Housing Authority
Brunswick Housing Authority
Eastern Task Force on Aging
Franklin County CAP
Legal Services for the Elderly
Lewiston Housing Authority
Maine AFL-CIO
Maine Association of Independent Neighborhoods
Maine Association of Public Housing Directors
Maine CAP Housing Council
Maine Chapter, National Association of Social Workers
Maine Committee on Aging
Maine Municipal Association
Maine State Housing Authority
Maine State Planning Office
Munjoy Hill Neighborhood Association (Portland)
Munjoy Housing Association (Portland)
Neighborhood Housing Services of South Portland
Penobscot Area Housing Development Corporation
Pleasant Point/Passamaquoddy Reservation Housing Authority
Portland Housing Authority
Portland West Neighborhood Planning Council
South Portland Housing Authority
Southern Maine Senior Citizens
York County Community Action Corporation
York-Cumberland Housing Development Corporation

Maryland

Anne Arundel Coalition of Tenants (Annapolis)
Baltimore Neighborhoods, Inc.
Belle Park Tenant Council (Baltimore)
Berlin Community Housing Corporation (Berlin)
Bernard E. Mason Tenant Council (Baltimore)
Brentwood Terrace Tenant Council (Baltimore)
Broadway Tenant Council (Baltimore)
Brooklyn Homes Tenant Council (Baltimore)
Chase House Tenant Council (Baltimore)
Cherry Hill Tenant Council (Baltimore)
Claremont Tenant Council Baltimore)
Douglas Homes Tenant Counc (Baltimore)
Eastern Region, National Tenants Organization
Ellerslie Tenant Council (Baltimore)
Fairfield Tenant Council (Baltimore)
Flag House Tenant Council (Baltimore)
Gilmor Homes Tenant Council (Baltimore)
Govans Manor Tenant Council (Baltimore)
Hollander Ridge Tenant Council (Baltimore)
Housing Authority of Baltimore City
Lafayette Courts Tenant Council (Baltimore)
Lakeview Terrace Tenant Council (Baltimore)

Latrobe Homes Tenant Council (Baltimore)
Lexington-Poe Tenant Council (Baltimore)
Marian House, Inc. (Baltimore)
McCulloh Homes Tenant Council (Baltimore)
Monument East Tenant Council (Baltimore)
Murphy Tenant Council (Baltimore)
Neighborhood Design Center (Baltimore)
O Donnell Heights Tenant Council (Baltimore)
Oswego Mal Tenant Council (Baltimore)
People for Better Housing Inc. (Federalsburg)
Perkins Homes Tenant Council (Baltimore)
Resident Advisory Council, Housing Authority of Baltimore City
Rosemont-Dukeland Tenant Council (Baltimore)
St Ambrose Housing Aid Center (Baltimore)
Sister of Mercy of the Union (Silver Spring)
Somerset Extension Tenant Council (Baltimore)
Suburban Maryland Fair Housing
Westport-Mt Winans Tenant Council (Baltimore)
West Twentieth Street Tenant Council (Baltimore)
Wyman House Tenant Council (Baltimore)

Massachusetts

Lt. Gov. Tom O'Neill
Mayor Kevin White, Boston

Adams Housing Authority
Agawam Housing Authority
Amher Housing Authority
Athol Housing Author ty
Belchertown Housing Authority
Berkshire Housing Services
Boston Mobilization for Survival
Boston Urban Gardeners, Inc.
Brimfield Housing Authority
Chicopee Housing Allowance Project, Inc.
Citizens for Participation in Political Action (Boston)
Citizens Housing and Planning Association (Boston)
Community Teamwork Inc Lowell)
Construct, Inc. Great Barrington)
Easthampton Housing Authority
Elizabeth Peabody House (Somerville)
Essex County Commun ty Organization (Peabody)
Fenway Community Development Corporation (Boston)
Franklin County Regional Housing Authority
Granby Housing Authority
Great Barrington Housing Authority
Greater Roxbury Development Corporation
Greenfield Housing Authority
Hatfield Housing Authority
Holyoke Housing Authority
Housing Allowance Pro ect Inc. (Springfield)
Housing Assi tance Corporation (Hyannis)
Holyoke Housing Authority

Human Services Workforce (Boston)
Lenox Housing Authority
Massachusetts Advocacy Center
Massachusetts Association of Community Development Corporations
Massachusetts Coalition for the Homeless
Massachusetts Law Reform Institute
Massachusetts Non-Profit Housing Association
Massachusetts Tenants Organization
Massachusetts Urban Reinvestment Advisory Committee
Mass. Union of Public Housing Tenants
Monson Housing Authority
Montague Housing Authority
New England Regional Council of NAHRO
North Adams Housing Authority
North Shore Community Action Program (Peabody)
Northhampton Housing Authority
Open Door Housing, Inc. (Boston)
Orange Housing Authority
Pittsfield Housing Authority
Rural Housing Improvement
Salem Harbor Community Development Corporation (Salem)
Salem Housing Alliance
Shelburne Housing Authority
Somerville Multi Service
Somerville Youth Program
South Middlesex Opportunity Program (Framingham)
South Shore Coalition for Human Rights (Quincy)
South Shore Housing Development Corporation
Southwest Corridor Land Development Coalition, Inc.
Springfield Project for a United Neighborhood
SUN-Community Development Corporation (Somerville)
Symphony Tenant Organizing Project (Boston)
United South End/Lower Roxbury Corporation
Wilbraham Housing Authority
Williamstown Housing Authority

Michigan

Board of Tenant Affairs (Detroit)
Brewster Douglas Homes Block Club (Detroit)
Brewster-Douglas Tenants Council (Detroit)
Brewster Senior Council (Detroit)
Catholic Community Center (Benton Harbor)
Catholic Human Development Office (Grand Rapids)
Charles C Diggs Homes Block Club (Detroit)
Charles Terrace Homes Block Club (Detroit)
Connaught-Waverly Block Club (Detroit)
Coordinating Council on Human Relations (Detroit)
Corktown Homeowners Organization, Inc. (Detroit)
Detroit Metro Council of Senior Citizens
Detroit Tenants Union
Fair Housing Center
Groundwork for a Just World (Lansing)
Herman Gardens Resident Council (Detroit)

Herman Gardens Senior Council (Detroit)
Holy Trinity Nonprofit Housing Corporation (Detroit)
Housing Assistance Foundation (Lansing)
Jeffries Block Club (Detroit)
Jeffries Housing Project (Detroit)
Jeffries Middle Section Council (Detroit)
Jeffries Senior Council (Detroit)
Kercheval-Riverfront Community Organization (Detroit)
Lee Plaza Block Club (Detroit)
Metro Detroit Welfare Reform Coalition
Michigan Black Caucus
Michigan Chapter National Association of Social Workers
Michigan Housing Coalition
Michigan Tenants Rights Coalition
Mid-City Concerned Citizens District Council (Detroit)
Midwest Region, National Tenants Organization
Neighborhood Service Organization (Detroit)
Parkside Homes Block Club (Detroit)
Provincial Administrative Team, Sisters of Mercy, Province of Detroit
Scatter Sites Homes Block Club (Detroit)
Smith Homes Block Club (Detroit)
Sojourners Truth Homes Block Club (Detroit)
Temple Towers Block Club (Detroit)
United Community Housing Coalition (Detroit)
United Community Services (Detroit)
Urban League of Flint
Warren West Senior Building Block Club (Detroit)
Wolverine Senior Building Block Club (Detroit)

Minnesota

Accessible Space, Inc. (Minneapolis)
Anoka County Community Action Program
Arrowhead Economic Opportunity Agency
Bi-County Community Action Council
Capital Community Services (St. Paul)
Catholic Charities (Minneapolis)
Centro Cultural Chicano (Minneapolis)
Centro Legal (St. Paul)
Child Care Resource Center (Minneapolis)
City Wide Residents Council (St. Paul)
Cityview Coop rative (Minneapo is)
Coalition for Affordable Housing (Minneapolis)
Common Space (Minneapolis)
Community Design Center (Minneapolis)
Community Development Corporation for the Archdiocese of St. Paul-Minneapo is
Commun ty Emergency Assistance Program (Brooklyn Center)
Consumer Self-Help (Minneapolis)
Daytons Bluff Human Services (St. Paul)
Duluth Branch, NAACP
Duluth Community Action Program
East Area Center, Ramsey Action Program (St. Paul)
East Side Neighborhood Development Corporation (St. Paul)

Eastside Neighborhood Services, Inc. (Minneapolis)
Elliot Park Neighborhood, Inc. (Minneapolis)
Goodhue-Rice-Wabasha Citizens Action Council
Greater Minneapolis Metropolitan Housing Corporation
Guadalupe Area Project (St. Paul)
Haymarket Press (Minneapolis)
Hispanos en Minnesota (St. Paul)
Inter-County Community Council
Jackson-Wheelock Center, Ramsey Action Program (St. Paul)
Koochiching-Itasca Action Council
Lakes and Pine Community Action Council
Lillian Park Thomas Community Program (St. Paul)
Lutheran Social Services of Minnesota
Mahube Community Council
Merrick Community Center (St. Paul)
Metropolitan Council of the Twin Cities Area
Minneapolis Community Action Agency
Minneapolis Na ive American Center
Minneapolis Urban League
Minnesota CAP s Association
Minnesota Chapter of NAHRO
Minnesota Federation of Business and Professional Women
Minnesota Migrant Council (Blooming Prairie, East Grand Forks, St. Cloud, St. James, St. Paul, and Wilmer offices)
Minnesota Multi Housing Association
Minnesota Project
Minnesota State Council for the Handicapped
Minnesota Tenant Union
Minnesota Valley Action Council
MLK/CLA (Minneapolis)
Nan McKay Associates, Inc. (St. Paul)
Nationa Handicapped Housing Institute (Minneapolis)
Neighborhood Improvement Company (Minneapolis)
Northside Neighborhood Center (Minneapolis)
Northside Residents Redevelopment Council (Minneapolis)
Northwest Community Action Council
Otter Tail-Wadena Community Action Council
Park Cooperative Apartments (Minneapolis
Phillips Neighborhood Housing Trust (Minneapolis)
Pilot City Regional Center (Minneapolis)
Portland Apartments Association (Minneapolis)
Powderhorn Residents Group (Minneapolis)
Prairie Five Community Action Council
Project for Pride in Living (Minneapolis)
Ramsey Action Programs (St. Paul)
Refugee Resettlement Office, Department of Public Welfare (St. Paul)
Region 6-E Community Action Agency
Roman Catholic Diocese of New Ulm
St. Cloud Housing and Redevelopment Authority
St. Paul Branch, NAACP
St. Paul Public Housing Authority, Human Services Department
St. Paul Urban League
Sabathani Community Center (Minneapolis)
Scott-Carver Economic Council

SEMCAC
Senior Nutrition Program, Ramsey Action Program (St. Paul)
Social Services, Health and Housing, Spanish-Speaking Affairs Council (St. Paul)
South Minneapolis Community Federal Credit Union
Southside Child Care Committee (Minneapolis)
Southside Neighborhood Housing Services (Minneapolis)
Southwestern Minnesota Opportunity Council
Spanish-Speaking Advisory Committee to the Mayor (St. Paul)
The New Beginning Cooperative (Minneapolis)
Tri-County Action Program, Inc. (St. Cloud)
Tri-Valley Opportunity Council (Crookston)
Urban Affairs Commission, Archdiocese of St. Paul and Minneapolis
Urban Coalition of Minneapolis
Urban League of Minneapolis
Walker Community Church (Minneapolis)
West Bank Community Development Corporation (Minneapolis)
West Central Minnesota Community Action
West Seventh Stree Office, Ramsey Action Program (St. Paul)
Western Community Action (Marshall)
Western Community Action, Inc. (St. Paul)
Westside Office, Ramsey Action Program (St. Paul)
Whittier First Avenue Cooperative (Minneapolis)
Women's Advocates, Inc. (St. Paul)
Wright County Community Action

Mississippi

Batesville Community Development Organization
Catholic Charities, Inc. (Jackson)
Catholic Diocese (Jackson)
Delta Housing Development Corporation (Indianola)
Mississippi Association of Cooperatives
Mississippi Human Services Coalition
Mississippi Legal Services Coalition

Missouri

Amalgamated Clothing and Textile Workers, St. Louis
American Friends Service Committee, St. Louis Area Office
Blue Hills Community Association (Kansas City)
Blue Hills Homes Corporation (Kansas City)
Bread for the World (St. Louis
Coalition for Sensible and Humane Solutions (St. Louis)
Coalition for the Environment (St. Louis)
Community Housing Improvement and Preservation (St. Louis)
Community Housing Ministry, Inc
East Community Team, Inc. (Kansas City)
East Myer Community Association (Kansas City)
Ecumenical Housing Organization (St. Louis County)
Freedom of Residence (St. Louis)
Human Rights Office, Archdiocese of St. Louis
ILGWU (St. Louis)
Kansas City Neighborhood Alliance

Kansas City Organization Project
Longfellow Community Organization (Kansas City)
Metro Housing Resources (St. Louis)
Missouri ACORN
Missouri Association of Regional Public Housing Agencies
Missouri Public Interest Research Group
National Association of Social Workers, Missouri Chapter
Neighborhood Housing Services of Kansas City
Ozarks Area Community Action Corporation (Springfield)
St. Louis Alliance of Community Based Organizations
St. Louis Association of Community Organizations
St. Louis Neighborhood Resource Center
St. Louis Teachers Union, Local 420
St. Louis Tenants Union
Soulard Neighborhood Improvement Association (St. Louis)
Southside Welfare Rights Organization (St. Louis)
Tenant Affairs Board (St. Louis)
UAW Region V
Ville Area Neighborhood Housing Association (St. Louis)
Washington Heights Neighbors Association (St. Louis)
Westside Housing Organization (Kansas City)
Youth Education and Health in Soulard (St. Louis)

Montana

American Association of Retired Persons, Hamilton
Child Start, Inc (Missoula)
City of Billings
Golden Age Club (Hamilton)
Human Resources Council, District XI (Missoula)
Human Resources Development Council Directors Association
LIGHT (Low Income Group for Humane Treatment), (Missoula)
Low Income Senior Citizens Advocates (Helena)
Missoula Housing Authority
Montana Department of Commerce
Montana Federation of Teachers, AFT, AFL-CIO
Montana State Low Income Organization
Montanans in Action for People
National Association of Retired Federal Employees, Chapter No. 876
Northern Cheyenne Housing Authority (Lame Deer)
Northern Plains Indian Housing Authorities Association
Northern Indian Housing and Development Council
Polson Community Development Agency
Ravalli County Council on Aging
Ravalli County Head Start
Ravalli County Refugee Center
Ravalli County Retired Teachers
Region VIII CAA Association
Salish-Kootenai Housing Authority
Senior Citizens Association of Ravalli County
United Methodist American Baptist Church

Nebraska

Benson Tower Association (Omaha)
Burt Tower Resident Organization (Omaha)
Evans Tower Happy Hour Club (Omaha)
Florence Tower 5100 Club (Omaha)
Greater Omaha Community Action
Highland Tower Highland Club (Omaha)
Hilltop-Pleasantview Resident Organization (Omaha)
Jackson 600 Club of Jackson Tower (Omaha)
Kay-Jay Tower Activity Club (Omaha)
LaFern-Williams Center (Omaha)
Logan Fontenelle Homes RDOT (Omaha)
Mercy Housing Inc. Sisters of Mercy, Province of Omaha
Nebraska Chapter, National Association of Social Workers
Nebraska Chapter ot NAHRO
Nebraska Community Design Center (Lincoln)
North Omaha Community Development
Park Tower North Resident Association (Omaha)
Park Tower South Social Club (Omaha)
Pine Tower Residents Association (Omaha)
Pleasantview East Tower Club (Omaha)
Pleasantview West Tower Residents Association
Southside Terrace Re ident Organization (Omaha)
Spencer Homes Resident Organization (Omaha)
The Survival Coalition of Omaha
Underwood Tower Association (Omaha)
Urban Housing Foundation, Inc. (Omaha)

Nevada

Housing Authority of the City of Las Vegas
Nevada Chapter, American Civil Liberties Union
Nevada Chapter, National Association of Social Workers

New Hampshire

Community Action Program in Coos, Carroll and Grafton Counties, Inc.
Housing Corporation of North Country (Franconia)
LISTEN (Lebanon in Service to Each Neighbor), (Lebanon)
Littleton Community Development Office
New Hampshire Fair Housing Coalition
Ossipee Concerned C tizens (Center Ossipee)
The Opportunities Center (Canaan)
Welfare and Unemployment Self-Help Alliance (Littleton)

New Jersey

Governor Brendan T. Byrne
Mayor Kenneth Gibson, Newark

Bergen County Community Development Coalition
Bergen County Council of Churches
Bergen County Housing Coalition

Bergen County NAACP
Bergen-Passiac Un t, New Jersey Association for Retarded Citizens
Berkeley Tenants Organization in Irvington
Camden People's Alliance
Camden Rent Control Committee
Community Development Coalition of Bergen County
East Orange Tenant Association
Essex County Housing Coalition
Englewood Community House
Fair Housing Council of Northern New Jersey
Gray Panther of Bergen County
Health and Welfare Council of Bergen County
Housing Authority, Borough of Carteret
Housing Authority, City of Elizabeth
Housing Authority of Bergen County
Housing Authority of the Borough of Princeton
Housing Authority of the City of Perth Amboy
Housing Authority of the Township of Florence
Housing Authority Township of Middletown
Hudson County National Organization for Women (NOW)
Irvington Tenants Organization
Jersey City Tenants Committee
Local 1067, Communications Workers of America (Camden)
Majestic Lodge No. 153 (Hackensack)
Marion Gardens Community Association (Jersey City)
Mary House Community Center (Jersey City)
Metropolitan Ecumenical Ministry of Greater Newark
Montclair Tenants Organization
Montgomery Gateway Residents Committee (Jersey City)
Neighborhood Civic Association (Hackensack)
Newark Coalition for Neighborhoods
Newark Tenants Council Inc.
New Jersey Housing Finance Agency
New Jersey NETWORK
New Jersey State Association of Housing and Redevelopment Officials
New Jersey Tenants Organization
Office of Campus Ministry, St. Peters College (Jersey City)
Organization for Community Change (Newark)
Our Lady of Sorrows Parish (Jersey City)
Passiac Housing Authority
Presbyterian Church at Franklin Lakes Mission Commission
Public Housing Authorities Directors Association
Ramapo Mountain Indians of New Jersey
Rehabilitation Contractors Advisory Board (Westmont)
Rural Development Corporation (Port Norris)
Saint Thomas the Apostle Social Concerns Committee (Bloomfield)
Senior Citizen Clubs of Bergen County
Sister of Saint Jo eph of Peace (Jersey City)
Social Concerns Committee of the Leonia United Methodist Church
South Amboy Housing Authority
South Hudson Evangelica Lutheran Parishes (12 parishes), (Jersey City)
United Tenants of Elizabeth
United Tenants of Newark
Urban League of Bergen County, Inc.

Urban Mission Council of the Presbytery of Newark
Women's Rights Information Center (Bergen County)
YWCA of Hackensack
YW/YMHA of Bergen County

New Mexico

Albuquerque Welfare Rights Organization
Central Housing Authority (Central)
Cielo Azul Cooperative Housing Association (Taos)
City of Albuquerque Housing Authority
Community Action Agency of Dona Ana County, Inc. (Las Cruces)
Deming Self-Help Housing
Home Education and Livelihood Program (Albuquerque)
Housing Authority of City of Las Cruces
Ixtlan Housing Development Corporation
Min Kantrowitz and Associates (Albuquerque)
New Mexico Coalition for Rural Housing
New Mexico HELP State Office
New Mexico Hispanic Coalition
New Mexico Hispanic Housing Coalition
New Mexico State Housing Authority
Region III Housing Authority (Los Lunas)
Region V Housing Authority (Silver City)
Region VI Housing Authority (Roswell)
Region VII Housing Authority (Socorro)
Rural Housing Inc. (Albuquerque)
Sangre de Cristo Housing Corporation (Taos)
Santa Fe County Housing Authority
South Broadway Economic Development Corporation (Albuquerque)
Southern New Mexico MANA (Las Cruces)
Southwest Area Office, New Mexico HELP
Southwest New Mexico Council of Governments (Silver City)
Taos County Housing Authority
Tierra del Sol Housing Corporation (Las Cruces)

New York

Accion Latina (New York)
Action for a Better Community, Inc. (Rochester)
Andover Historical Society Preservation Committee
Association of Eastern Indian Housing Authorities
Association of Neighborhood Housing Developers (New York)
Astella Development Corporation (Brooklyn)
Baynton Street Center Rochester)
Bellport-Hagerman-East Patchogue Alliance (Long Island)
Better Housing for Tompkins
Bishop Sheen Ecumenical Housing Foundation, Inc.
Brookhaven Local Ac ion Center
Brooklyn H spanic Commun ty Development Organization, Inc.
Buffalo Area Metropolitan Ministries (BAMM)
Buffalo Federation of Pub ic Housing Tenants
Cattaraugus County Neighborhood Preservation Corporation
Cayuga County Homsite Development Corporation

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Center for Community Design (White Plains)
Center for Independence of the Disabled (New York)
Chenango Housing Improvement Program (Norwich)
CHRIC -- Chappaqua Home Rehabilitation and Improvement Corporation
City of Syracuse
Clinton Housing Development Company (New York)
Coalition for an Equitable Region (New York)
Coalition for Homeless (New York)
Coalition in Defense of Puerto Rican and Hispanic Rights (Bronx)
Community Action in Self-Help (Lyons)
Community Housing Resources Board of the Long Island Board of Realtors
Community Planning As istance Center of Western New York, Inc. (Buffalo)
Community Program Center of Long Island, Inc.
Community Progress, Inc. (CPI), (Corning)
Consumer-Farmer Foundation Inc. (New York)
Cortland Housing Assistance Board (Cortland)
Cuba Community Development Corporation (Cuba)
Day Care Council of Nassau County
Disabled in Action (New York
Division of Housing Catholic Diocese of Buffalo
East Side Neighborhood Organization for Development (East Side)
Eastern Suffolk Rural Development Corporation
Erasmus Neighborhood Federation (New York)
Estella Development Corporation (New York)
Fifth Avenue Committee (Brooklyn)
Flatbush Development Corporation (Brooklyn)
Friendship House Neighborhood Preservation Company (Lackawanna)
Frontier Housing Corporation, Inc. (Dexter)
Good Old Lower East Side (Manhattan)
Gray Panthers (Bronx)
Gray Panthers (Queens)
Housing Action Corporation (Belmont)
Housing Action Council (White Plains)
Housing Assistance Center of Niagara Frontier, Inc. (Buffalo)
Housing Assistance Program of Essex County, Inc. (Elizabethtown)
Housing Conservation Coordinators Manhattan)
Housing Council in the Monroe County Area, Inc. (Rochester)
Housing Development Council of Orleans County
Housing Help, Inc. (Huntington)
Housing Opportunities Made Equal (Hempstead)
Human Development Office, Diocese of Rockville Center
IBERO American Housing Company (Rochester
Independent Living for the Handicapped New York)
Inwood Preservation Corporation (Manhattan)
Jane Grey Center (Mount Morris)
Jennings Hall Senior Citizen Housing Development Corporation (Brooklyn)
Keuka Housing Council Inc
Lenox Hill Neighborhood Association (Manhattan)
Long Island Council of Churches
Long Island Region of NAACP
Los Sures (New York)
Manhattan Valley (New York)
Marketview Heights Association, Inc. (Rochester)
Metro-Act of Rochester, Inc.

Metro North Association, Inc. (New York)
Metropolitan Action Institute (New York)
Metropolitan Center for Resource and Advocacy (New York)
Metropolitan Council on Housing (New York)
Mobility Through Access (New York)
Mobilization Agains Displacement (MAD), (New York)
Monroe County Coalition for Welfare Justice
Monroe County Housing Commission
Mount Vernon United Tenants
Nassau Action Coalition (Long Island)
Nassau County Commission on Human Relations
Nassau Division of National Association of Social Workers (Long Island)
Nassau Housing Development Corporation
New York City Coalition on Housing for Disabled People
New York City Housing Coalition
New York Gray Panthers
New York Housing Conference
New York State Rural Housing Advocates
New York State Rural Housing Coalition
New York State Tenant and Neighborhood Coalition
North Brooklyn Federal Credit Union
Northeast Block Club Alliance (Rochester)
Northwest Bronx Community and Clergy Coalition
Office of Human Development of Catholic Diocese (Rochester)
Office of Neighborhood Preservation, Catholic Charities (New York)
1.3rd Street Improvement Council, Inc. (Bronx)
People's Firehouse Brooklyn)
Plan/Build, Inc (Syracuse)
Pratt Center for Community and Environmental Development (Brooklyn)
Presbytery of Long Island, Public Issues Ministry
Project REACH, Inc Cohocton)
Prospect-Lefferts Garden (New York)
Pueblo Nuevo Housing and Development, Inc. (New York)
Regional Council on Aging (Rochester)
Regional Housing Council (New York)
Riverhead Local Action Center
Rochester Center for Independent Living
Rochester Housing Authority
Rurel Sullivan County Housing Opportunities Company, Inc.
Rural Ulster Preservation Corporation
St. Lawrence County Housing Council, Inc.
St. Nicholas Neighborhood Preservation and Housing Rehabilitation Corporation (Brooklyn)
SCCAP (Steuben County Church People Against Poverty, Inc.)
Seneca Nation Housing Authority
S.P.R.C., Inc (Brooklyn)
Statewide Youth Advocacy, Inc.
Stoneleigh Housing Inc
Strycker's Bay Neighborhood Council (New York)
Suburban Housing Development and Research, Inc.
Suffolk Action Coa ition
Suffolk Community Development Corporation
Suffolk Housing Services
Suffolk Interreligious Coalition on Housing

Swan Senior Center, Inc. (Mount Morris)
Task Force on City Owned Property (New York)
The Renegades (New York)
Tioga Opportunities Program
United Neighborhood Houses (New York)
United Neighborhood Housing Center (New York City)
United Tenants Association (New York)
United Tenants of Albany
Upper South Street Senior Housing, Inc. (Mount Morris)
Urban Homesteading Assistance Board (New York)
Urban League of Long Island
Urban League of Rochester, Inc.
West Harlem Community Organization, Inc. (New York City)
Woman's School of Planning and Architecture (Brooklyn)
Women's Neighborhood Builders (Brooklyn)
Women's Prison Project of Western New York
Women's Round Lake Improvement Socieity, Inc.
Wyandanch Community Development Corporation

North Carolina

Community Alternatives to the Budget Cuts Task Force of Greensboro YWCA
Greensboro Urban Ministry
Guilford Native American Assocation
Institute of Social Studies (Durham)
Low Income Housing Development Corporation (Durham)
Madison County Housing Authority (Marshall)
NAACP, Greenboro Chapter
North Carolina Field Program, American Friends Service Committee
Northeast Winston Neighborhood Council (Winston-Salem)
Winston-Salem Urban League

North Dakota

Community Action and Development Program (Dickenson)
Dakota Association of Native Americans (Bismarck)
North Dakota Chapter, National Association of Social Workers

Ohio

AFL-CIO Community Services (Warren)
Alter Social Settlement (Cleveland)
Bold Ladies of Distinction Council (Cincinnati)
Catholic Office of Community Relations, Diocese of Toledo
Chagrin Falls Park Community Center (Cleveland)
Cincinnati Branch, NAACP
Citizens Advisory Board of the Youngstown Community Development Agency
Cleveland Center for Neighborhood
Commission on Catholic Community Action (Cleveland)
Communities United for Action (Cincinnati)
Community Action of Cincinnati
East Wick Park Citizens Committee (Youngstown)

Free Store (Cincinatti)
Garden Valley Neighborhood House (Cleveland)
Goodrich-GannettNeighborhood Center (Cleveland)
Harvard Community Service Center, Inc. (Cleveland)
House My People, Inc. (Toledo)
Housing Opportunities Center (Columbus)
Housing Opportunities Made Equal (Cincinnati)
Housing Our People Economically (Cleveland)
Human Services Under Welfare Rights of Mahoning County (Youngstown)
Katherine R. Tyler Neighborhood Center, Inc. (Cleveland)
Lexington Square Commun ty Center (Cleveland)
Lutheran Housing Corporation Cleveland
Mahoning County Council on Aging (Youngstown)
Mary Chapman Community Center (Ashtabula)
Merrick House (Cleveland
Morningstar Grand Chapter, Order of Eastern Star (Cleveland)
Northeast and Northwest Warren Community Groups (Warren)
Northeast Ohio Clients Council
Northeast Ohio Legal Services (Youngstown)
Northeast Ohio Senior Citizens Council (Youngstown)
Ohio Fair Housing Congress
Ohio Rura Housing Coal tion
Ohio Senior Citizens Council
PHACT Public Housing Action Committee Church-Tenants (Cincinnati)
Phyllis Wheatley Association Cleveland)
Queen Esther Chapter No 9, Order of Eastern Star (Warren)
Regional Housing Center (Columbus)
Senior Information and Referral Center (Youngstown)
SURGE Household Technicians (Warren)
The Housing Advocates, Inc. (Cleveland)
The Women's City Club of Greater Cincinnati
University Settlements (Cleveland)
Victory Neighborhood Center (Cincinnati)
Warren Interfaith Community Action
Warren-Trumbull Community Service Agency (Warren)
Warren-Trumbull County Welfare Rights Organization
Warren-Trumbull NAACP
Warren-Trumbull Urban League
West College Hill Civic Association, Inc. (Cincinnati)
West College Hill Neighborhood Services Project, Inc (Cincinnati)
Westside Community House (Cleveland)
Youngstown Area Consumer Area Advisory Council
Youngstown Area Urban League
Youngstown Office of Consumer Affairs

Oklahoma

Catholic Social Services (Tulsa)
Credit Counseling (Tulsa)
Eastern Oklahoma Housing Development Corporation (Vian)
Friends of HUD (Tulsa)
Housing Development Corporation of Oklahoma
Human Rights Department, City of Tulsa
John F. Kennedy Project Area Committee, Inc. (Oklahoma City)

Metropolitan Fair Housing Council of Oklahoma City
Metropolitan Mutual Housing, Inc. (Oklahoma City)
Midwest Mutual Housing, Inc. (Clinton)
National Conference of Black Lawyers, Oklahoma Chapter
Neighbor for Neighbor, Inc. (Oklahoma City)
Neighborhood Association of the Harrison-Walnut Area (Oklahoma City)
Neighborhood Services Organization, Inc. (Oklahoma City)
Northeast Technical Assistance Project (Pryor)
Office of Handicapped Concerns (Oklahoma City)
Oklahoma City Housing Authority
Oklahoma Coalition of Citizens with Disabilities
Oklahoma Counci for the Blind
Oklahoma Legal Aid and Defender Association
Project Get-Together (Tulsa)
Purcell Housing Development Corporation (Purcell)
Tulsa Area United Way (Tulsa)
Tulsa Community Action Agency
Tulsa Housing Authority
Tulsa Urban League Housing Counseling
Urban League of Greater Oklahoma City

Oregon

Cascade Chapter of National Association of Housing and Redevelopment Officials (State of Oregon and Southern Washington)
Housing Advisory Committee of the City of Salem
Housing Development Corporation of Washington County
Lane County Clients Council (Eugene)
Meadowlark Village Tenant Association (Salem)
Oregon Rural Housing Coa ition
Pringle Creek Tower Tenant Association (Salem)
Salem Nonprofit Housing, Inc.
Shelton Village Tenant Association (Salem)
Southwestern Oregon Community Action Committee

Pennsylvania

ACTION/Housing (Pittsburgh)
Advocate Community Development Corporation (Philadelphia)
Allegheny County Department of Community Development
Allegheny County Health Department
Allegheny West Foundation (Philadelphia)
Al ison Street Neighbors (Philadelphia
American Jewish Committee (Pittsburgh
Americans for Democratic Action (Pittsburgh)
ASPIRA (Philadelphia)
Associated Day Care Program (Philadelphia)
Belfi ld Area Neighbors (Philadelphia)
Berks Rura Housing Inc. (Reading)
Calcon Gardens Tenants Council (Sharon Hill)
Citizens Concerned for a Better Community (Williamsport)
Citizens of Tioga-Nicetown (Philadelphia)
Citywide Conference of Neighborhood Advisory Committees (Philadelphia)
Coalition of Minority Contractors (Philadelphia)

Cobb's Creek Neighborhood Advisory Committee (Philadelphia)
Community Development through Youth Services (Philadelphia)
Community Homes, Inc. (Philadelphia)
Consumer Caucus for Neighborhood Energy Planning (Philadelphia)
County Health Advocacy Network Pittsburgh)
Delaware Valley Chapter of NAHRO
Determination Inc. Philadelphia)
East Poplar Neighborhood Advisory Council (Philadelphia)
Families in Transition (Pittsburgh)
Federation Housing, Inc. (Philadelphia)
First African Presbyterian Church (Philadelphia)
First Congregational Church (Philadelphia)
Fishtown Civic Association Philadelphia)
Friends Suburban Project Committee of Philadelphia Yearly Meeting
Germantown Homes, Inc. (Philadelphia)
Germantown Settlement (Philadelphia)
Greater Germantown Housing Development Corporation (Philadelphia)
Grace Lutheran Church (Philadelphia)
Gray Smith s Office (Philadelphia)
Hartranft Community Corporation Philadelphia)
Haverford North Community Organization (Philadelphia)
Housing Association of Delaware Valley (Philadelphia)
Housing Council of the Action Alliance of Senior Citizens (Philadelphia)
Human Services Center of Mantua Ph ladelphia)
Hunting Park Community Development Corporation (Philadelphia)
Institute for the Study of Civic Values (Philadelphia)
Jewish Energy Project (Philadelphia)
Kensington Action Now (Philadelphia)
Kensington Council on Black Affairs (Philadelphia)
Kensington Neighbors United Civic Association (Philadelphia)
La Casa del Pueblo, Inc. (Kennett Square)
Low Income Housing Coalition (Pittsburgh)
Mantua Community Planners, Inc. (Philadelphia)
Mantua Human Resources Council (Philadelphia)
Mantua Scattered Site Tenant Council (Philadelphia)
Mid-West Oak Lane Civic Association (Philadelphia)
National Temple Baptist Community Development Corporation (Philadelphia)
Neighborhood Action Bureau (Philadelphia)
Neighborhood Center Association (Pittsburgh)
Neighborhood Development Alliance (Philadelphia)
New Jewish Agenda (Philadelphia)
North Central Community Development Corporation (Philadelphia)
Northwest Interfaith Movement (Philadelphia)
Northwood Commun ty Council Philadelphia)
Ogontz Area Neighbors (Philadelphia)
OPEN, Inc (Philadelphia)
Pennsylvania Rura Housing Coalition
PERCY (Philadelphia)
Philadelphia ACORN
Philadelphia Chapter, American Institute of Architects
Philadelphia Community Rehabilitation Corporation
Philadelphia Corporation for the Aging
Philadelphia Council of Neighborhood Organizations
Pittsburgh Commission on Human Relations

Pittsburgh Free Clinic
Point Breeze Federation, Inc. (Philadelphia)
Resident Advisory Board (Philadelphia)
School of Social Work, University of Pittsburgh
SENE (Philadelphia)
Source Works, Inc (Philadelphia)
Southeast Asian Project (Philadelphia)
Southeast Asian Resettlement Program (Pittsburgh)
St. Barnabas Church Philadelphia)
Tabor Community Services Inc (Lancaster)
Taller Puertoricanos (Philadelphia)
Tenant Action Group (Philadelphia)
The Association of Priests, Pittsburgh Area
The Bureau for Social Programs and Community Action (Pittsburgh)
The Lighthouse (Philadelphia
United Cerebral Palsy, Pittsburgh Office
United Nubian Society (Philadelphia)
Urban League of Pittsburgh
Walnut Hill Community Development Corporation (Philadelphia)
West Philadelphia Inner City Network
Western Pennsylvania Fair Budget Coalition
We side Nieghborhood Council (Philadelphia)
Women's Center and Shelter Pittsburgh Area Office
Youth in Action (Philadelphia)
Youth in Community Service (Philadelphia)

Rhode Island

McAuley House (Providence)
St. Michael's Parish in Providence

South Carolina

Catholic Charities (Charleston)
Columbia Housing Authority
Community Care, Inc Jenkinsville)
Dowshag Community Organization (Greenville)
Fairfield United Action (Jenkinsville)
Gower Street Community Organization (Greenville)
Midlands Housing Coalition (Columbia)
NETWORK of South Carolina
Northside Tenants Association (Spartanburg)
NOW (National Organization for Women), South Carolina
Rural South Caro ina Coalition
South Carolina Committee Against Hunger
South Carolina Housing Coalition
South Carolina Legal Services Association
Southernside Block Partnership Organization (Greenville)
Spartanburg Clients Council Spartanburg)
WAKE UP (Work Action for Key Efforts in Uniting People), (Spartanburg)
Wateree Community Action, Inc. (Sumter)
Western Carolina Clients Council, Greenville Chapter

South Dakota

Interlakes Community Action Agency (Madison)
Southeastern Human Development Corporation (Sioux Falls)
Western South Dakota Community Action (Rapid City)

Tennessee

Appalachia Mountain Housing (Robbins)
Committee on Religion in Appalachia (CORA), (Knoxville)
Edgehill United Methodist Church (Nashville)
Mountain Women's Exchange (Jellico)
Nashville Clergy and Laity Concerned
Nashville Urban League
Tennessee Chapter, National Association of Social Workers
Tennessee Housing Coalition
YWCA, Nashville

Texas

Anti-Hunger Coalition (Austin)
Asociacion pro Servicios Sociales (Laredo)
Austin ACORN
Austin Gray Panthers
Austin Tenants Council
Barrio Unido (Austin)
Black Citizens Task Force (Austin)
Blackshear Residents Association (Austin)
Buena Vista Neighborhood Association (Austin)
Butler Housing Residents Association (Fort Worth)
Campagna pro Preservacion del Barrio (El Paso)
Clarksville Community Development Corporation (Clarksville)
Clarksville Neighborhood Advisory Board
East Dallas Tenants Alliance
El Concilio de East Town Lake Citizens (Austin)
Govalle Association for Survival (Austin)
Guadalupe Neighborhood As ociation (Austin)
Housing Author ty of the City of San Antonio
Na ional Council of La Raza McAllen Office
Rainey Street Neighborhood Association (Austin)
Southside Low Income Housing Development Corporation (El Paso)
Texas ACORN
Texas Consumer Association
Texas Tenants Union

Utah

Assist, Inc. (Salt Lake City)
Crossroads Urban Center (Salt Lake City)
Davis County Housing Authority (Farmington)
NAHRO, Utah Chapter
Tenant Association for Better Housing (Salt Lake City)
University Single Parent Coalition (Salt Lake City)
Utah Housing Coalition

Utah Single Parent Coalition
Whitmore Management Corporation (Salt Lake City)
Women Standing Alone (Salt Lake City)
Working Group for Community Development Reform Coalition (Salt Lake City)

Vermont

Abnaki Self-Help Association (Swanton)
Bennington-Rutland Opportunity Council
Central Vermont Community Action Council (Barrie)
Central Vermont Council on Aging
Champlain Valley Office of Economic Opportunity (Burlington)
Common Cause of Vermont
Department of Housing and Community Affairs (State of Vermont)
Homestead Housing and Development Corporation (Bellows Falls)
King Street Revitalization Corporation (Burlington)
Northeast Kingdom Community Action (Newport)
Northeast Vermont Area Agency on Aging
Northern Cooperative Resource (Montpelier)
Pectonics, Inc
St. Alban's Community Housing Group (St. Johnsbury)
South Square Association Ventess, Inc (Burlington)
Springfield Fair Housing Coalition (Springfield)
United Electrical, Radio & Machine Workers of America (Springfield)
Vermont Alliance
Vermont CAP Association
Vermont Coalition on Handicapped
Vermont Community Housing Services
Vermont Fair Housing Coalition
Vermont Federation of Teachers, AFT, AFL-CIO
Vermont Housing Finance Agency
Vermont Office on Aging
Vermont Samaritan, Waterbury Center
Vermont State Housing Authority
Vermont State Labor Council, AFL-CIO
Vermont State Labor Forum
Vermont Tenants, Inc.
VPIRG - Vermont Public Interest Research Group

Virginia

Better Housing for Halifax, Inc. (South Boston)
Charlottesville Housing Foundation
CHIP - Charlottesville Housing Improvement Program
Colonia Village Tenants Association (Arlington)
Eastern Shore Committee for Better Housing (Onley)
Emmit Retirement Complex Inc (Clifton Forge)
Guildfield Housing Development Corporation (Danville)
New Community Housing Enterprises (Gretna)
Northwest Improvement Council (Roanoke)
Robin Hood Tenants Association (Norfolk)
Scott County Citizens for Better Housing (Gate City)
Southeast Rural Community Assistance Program (Roanoke)

Southwest Virginia Housing Coalition (Appalachia)
Tenants of Arlington County (Arlington)
Total Action Against Poverty (Roanoke)
Tri-County Housing Corporation (Pennington Gap)
Virginia Housing Development Authority
Virginia Mountain Housing, Inc. (Blacksburg)
Virginia Water Project
Warm Hearth, Inc. (Blacksburg)
Wesley Housing Development Corporation of Northern Virginia (Alexandria)
Wise County Housing Coalition (Wise)

Washington

Asotin County Housing Authority (Clarkston)
Bellingham and Whatcom County Housing Authorities
Bellingham City Housing Authority
Benton-Franklin Community Ac ion Council (Pasco)
Bremerton City Housing Authority
Central Area Housing Alliance (Seattle)
Blue Mountain Action Council (Walla Walla)
Church Council of Greater Seattle
City of Wenatchee Housing Authority
Clallam County Housing Authority
Clallam-Jefferson Community Action Council (Port Townsend)
Cornerstone Development Company Seattle)
Department of Planning and Community Development (Kennewick)
Dujardin Custom Homes (Everett)
Environmental Works Seattle
Everett City Housing Authority
Everett Planning Department (Everett)
Farmers and Merchants Bank of Spokane
Grant County Community Action Program (Moses Lake)
Grant County Housing Authority (Moses Lake)
Gray Harbor CAC (Aberdeen
Housing Assistance Project (Walla Walla)
Housing Authority of County of Clallem (Port Angeles)
Internationa District Housing Alliance (Seattle)
International District Improvement Interim Committee (Seattle)
Island County Housing Authority (Seattle)
Kelso Department of Community Development
Kennewick City Housing Authority
Kennewick Department of Community Development
King County Housing Author ty
Kitsap County Housing Authority
Kittitas Community Action Council (Ellensburg)
Kittitas County Housing Authority
Klickitat-Skamania CAC (Bingen)
Longview City Housing Authority
Lower Columbia CAC (Longview)
Mason County Housing Authority
Mason-Thurston CAC (Shelton)
Metropolitan Development Council (Takoma)
Mount Lake Terrace City Housing Authority
MUJER (Seattle)

Northeast Rural Resources (Colville)
North Shore MultiPurpose Center (Seattle)
Northwest Regional Foundation (Spokane - covers Washington and Idaho)
Northwest Rural Opportunities (Yakima)
Office of Farmworker Housing (Yakima)
Okanogan CAC
Okanogan County Senior Citizen Services
Okanogan Senior Citizens, Inc.
Pacific Institute of Community Organizations (Seattle)
Pasco Department of Community Development
Pierce Housing Authority
Puget Sound Chapter of NAHRO
Puyallup Housing Authority
Richland Community Development Program (Richland)
Richland Housing Authority (Richland)
Region X Displaced Homes Network (Seattle)
Renters and Owners Organized for Fairness (Seattle)
Renton City Housing Authority
Seattle City Housing Authority
Seattle Housing Resources Group
Seattle Tenant Union
Service Employees International Union, Local 120
Shelter America Corporation (Federal Way)
Skagi County CAC (Mt. Vernon)
Snohomish County Housing Authority
South East Effective Development Inc. (Seattle)
South King County MultiService Center (Seattle)
Spokane Clients Council
Tacoma City Housing Authority
Tenants Organized in the Regrade (Seattle)
The Benton-Franklin Occupations Industrial Council (Pasco)
The Cascade Community Center (Seattle)
The Displacement Coalition (Seattle)
The First Hill Mid Risers (Seattle)
The International Rescue Committee (Seattle)
The Light Brigade (Seattle)
The Shelan-Douglas Housing Association (Wenatchee)
The Yakima Occupations Industrial Council
Vancouver Department of Community Development
Wall Walla Housing Authority
Walla Walla Senior Citizens Center
Washington Energy Project
Washington State NAHRO
Washington State Rural Housing Coalition
Wenatchee Community Action Council
Whatcom County Central Labor Council
Whatcom County Community Development Department (Bellingham)
Whatcom County Housing Authority
Whatcom County Opportunity Council
Yakima Governor's Office
Yakima Housing Authority

West Virginia

Family Homes Cooperative (Beckley)
Tug Valley Recovery Center (Williamson)
West Virginia Chapter, National Association of Social Workers

Wisconsin

Impact 7, Inc. (Turtle Lake)
Racine Environment Committee
Self-Help Housing of Dodge County
Wisconsin Rural Housing Cooperative
Wisconsin State Housing Coalition

Wyoming

Casper Housing Network
Cheyenne Housing Authority
Housing Authority of the City of Casper
Wyoming Chapter, National Association of Social Workers
Wyoming Community Development Authority
Wyoming Department of Planning

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CUSHING DOLBEARE CHAMPIONS LOW-INCOME ASSISTANCE

(By Rochelle L. Stanfield, special to the Washington Post)

On Capitol Hill, in the federal bureaucracy, among civil rights activists and real estate developers, the name Cushing Niles Dolbeare is synonymous with housing assistance for low-income people. Dolbeare, 55, is founder, president and half the permanent staff of the National Low-Income Housing Coalition.

"Cushing is one of the most effective lobbyists I've ever met in Washington," said Peter Harkins, staff director of the Senate Banking, Housing and Urban Affairs subcommittee.

Dolbeare and her coalition are credited with pushing through Congress many of the low-income housing improvements passed since 1974 when the major housing assistance program, called Section 8, was adopted. In fact, it was an attempt to make sure that legislation paid attention to the needs of the poor, that Dolbeare, in 1974, got representatives of housing, labor, civil rights and charitable organizations to form a loose "no-name coalition" on low-income housing.

"In 1974, it seemed nothing could be worse than the situation then," recalled Dolbeare. "Of course, we had no idea then how bad things would get under Ronald Reagan."

Back then, President Nixon merely called a halt to all new low-income housing activity by placing a moratorium on all federal housing aid programs in 1973. Now, Dolbeare and colleagues contend, Reagan wants to dismantle the existing programs by ending Section 8, withdrawing commitments for 300,000 of 700,000 housing units approved for subsidy but not yet built or rehabilitated, selling off property owned by the Housing and Urban Development department and raising the rent for low-income participants in the program. She figures housing would bear 37 percent of the cuts in the fiscal 1983 federal budget.

"Low income housing is under siege," said Dolbeare. "Most people totally underestimate the extent of the danger. The Reagan proposals are so far reaching, even if he gets half of what he wants in Congress, it would represent a tremendous loss."

What Reagan and like-minded members of Congress say they want is to switch the focus of housing aid from the apartment unit to the family. In the past, most federal aid for housing built or rehabilitated housing units. Reagan believes this construction is too expensive so he wants a voucher system that would subsidize the family to go out into the private market and obtain an apartment or a house like any other household.

Dolbeare and members of her coalition support a voucher system. In fact, Dolbeare called for one as an entitlement for the poor long before the current adminis-

tration was in office. But she and others say the subsidy levels proposed are far too low. Also, they don't believe the federal government can get out of the housing production business because private developers just aren't building rental apartments on their own.

Dolbeare began the coalition's campaign against the Reagan plans last December after news of dramatic budget cuts leaked out. Using the "sign-on letter," a tactic she believes the coalition pioneered, she sent a letter to the president asking him to reconsider the cuts, signed by 111 national organizations and 1,500 state and local groups.

"We had hoped to get 500 signatures if we beat the bushes for them," she said. "But we were swamped with calls from organizations wanting to sign on." She sees that grassroots interest as a very good sign because she believes that only the low-income housing constituencies can really influence Congress.

That won't stop her from using all the lobby techniques at her disposal, of course. Once the budget committees and the housing subcommittees call hearings, Dolbeare will troop before them, armed with facts, figures and analyses of alternatives. She'll start off asking Congress to expand the current programs, although she knows that has no chance at all. "I think it's a mistake to tailor what you try to achieve by what you can achieve," she said. "So we'll say what we think needs to be done." Once the committees begin to write their own bills, however, "we'll work within the realm of the achievable." But she's not particularly optimistic about what is achievable for low-income housing this year.

Some of her colleagues disagree. "Last year it was just about impossible to get anywhere," said Henry B. Schechter, director of housing and monetary policy of the AFL-CIO. "But this year, I'm hopeful Cushing and others can make some headway because housing is down a great deal."

Florence W. Roisman, a Washington housing lawyer for the poor and long-time friend of Dolbeare's, is even more optimistic. "Because of the severity of the attack, the administration is building a consensus that hasn't existed for 40 years," she said. "It's bringing everybody together."

The ability to bring people together is one of Dolbeare's exceptional talents, say those who know her best. "Cushing is always looking for a basis for agreement among people," said Roisman. "She gets people to focus on what they can agree on and respects the issues they can't agree on."

Charles Edson, a housing attorney who represents builders and developers, agrees. "She's able to bring in people with widely differing views. We have extended ourselves to work with Cushing," he said. Both Roisman and Adson sit on the coalition board of directors.

Dolbeare's attempt at consensus building extends beyond the coalition to Congress where she assiduously works both sides of the aisle. Because most of the coalition's proposals would expand federal housing programs, the most receptive members of Congress generally have been Democrats. But in 1979, when it became obvious to Dolbeare that federal aid was being cut back, she supported a measure sponsored by Sen. William L. Armstrong (R-Colo.) to limit eligibility for assisted housing to households whose income was half of the local average. Again, in 1980, the coalition worked with Sen. Jake Garn (R-Utah) to kill a proposal for middle-income housing assistance because it would have cut into the aid for the very poor.

Perhaps Dolbeare's most obvious bit of bipartisanship was to obtain the services of former Republican Massachusetts senator Edward Brooke, as chairman of the coalition from its incorporation in 1978 until this year.

Dolbeare points proudly to the fact that in the last two years, members of Congress of both parties have quoted coalition documents during debates on the floor more often than information from any other lobby group. Others say that has less to do with bipartisanship than having the sharpest analyses around.

"If I want to know what's going on in housing, what people think, what the numbers are, she's the one I call as a resource person," said Albert Eisenberg, the minority staff director of the Senate Housing subcommittee.

Dolbeare says she knows so much because even though she's been a lobbyist for only eight years she's been in the housing game for 30 years. "I'm probably one of the oldest people still around in housing," she said. She started out as assistant director of the Baltimore City Planning and Housing Association in September 1952, "but I never made a real commitment to housing until two or three years ago," she said. "I cared more about social justice and providing people the opportunity to fulfill themselves than I ever did about bricks and mortar."

In 1956, she went to work for the Philadelphia Housing Association where she stayed until 1967 when she became a housing consultant, "which is another way of saying I became unemployed," she said.

Working 60 hours a week for the coalition, Dolbeare considers herself barely employed. "How she is able to operate on such a shoestring constantly amazes me," says Andrew H. Mott, vice president of the Center for Community Change, and the coalition's new chairman.

The coalition's 1982 budget is $142,000, but Dolbeare is skeptical that the organization will be able to raise that amount. Coalition headquarters are in the converted garage behind Dolbeare's Capitol Hill townhouse. The staff consists of Dolbeare, Kate Crawford, her assistant and a computer-word processor that maintains the mailing lists and does the bookkeeping.

Despite her limited resources, Dolbeare would be the one to turn things around, if anyone can, her admirers believe. "She is so patient and so persuasive," said Sandra B. Solomon, executive director of the Neighborhood Coalition.

Dolbeare's major concern in the coming months is a presidential veto if Congress comes up with a more generous program than Reagan wants.

"It may be possible to persuade the administration to change," said Dolbeare. "They are realists. They're wrong, and they're going to have to recognize that their position is wrong and at some point, change."

Chairman GONZALEZ. Thank you very much, Ms. Dolbeare, for an excellent presentation.

Let me ask my colleagues here. A while ago I neglected to invite Ms. Roisman to join Ms. Dolbeare as a member of the panel. And if there is no objection, I thought I would recognize her now and have her present her testimony and then ask questions, unless you have some other suggestions.

Ms. Roisman?

STATEMENT OF FLORENCE W. ROISMAN, COUNSEL, NATIONAL HOUSING LAW PROJECT

Ms. ROISMAN. Thank you very much. Mr. Chairman and members of the subcommittee, I very much appreciate this opportunity to testify on behalf of the National Housing Law Project, which is a legal services support center.

I want also to take this occasion to say that I and my colleagues very much appreciate the work and the courtesy of the staff of your subcommittee. Mr. McMurray, Mr. DeStefano, Ms. Dorius, Ms. Simon, and Ms. Caldwell have given us invaluable assistance. They have given me and my colleagues a real sense that the interests of very poor poople, our clients, are heard and are taken seriously into consideration by the staff of the subcommittee.

Chairman GONZALEZ. I want to acknowledge your fine words and thank you for them, because staffs tend to get overlooked, and they are vital to our processes, and on both sides. On the minority side, Mr. Ruddy was able and willing to go to a number of the field hearings that we have had.

So aides are actually very important, and we are very proud of the ones we have. But I felt in all fairness that we should not overlook a very eminent and very experienced minority staff.

Ms. ROISMAN. I think, Mr. Chairman, that I must now take upon myself the obligation, and I do take on the obligation, of endeavoring to make the same sort of presentation to them that we have been able to make to the other members of the staff. I will not try to repeat here the lengthy testimony that we have prepared. I understand that it will be included in the record.

Chairman GONZALEZ. Yes. Well, without objection, we will include your prepared text, as you indicate.

You are an experienced witness, so feel free to proceed as you best see.

Ms. ROISMAN. Thank you, Mr. Chairman.

What I have tried to do in preparing for this hearing was to identify a few important principles that seem to me to be the principles by which both the administration's proposals and this subcommittee's omnibus bill, the omnibus bill that is before the subcommittee, and indeed any other legislative proposals might be tested.

And I have come up with three principles that seem to me to be fundamental. And what I would like to do is to discuss each of those three principles and to present what is at least my view, our view, of what those principles—why those principles ought to be adopted and what adopting them means.

What I propose as a first principle is that the first responsibility of every member of the subcommittee and the committee and the Congress, of each of us, is first to help those who most need help, to help first the poorest of the poor: the elderly poor; the disabled poor; the young poor, of whom there are millions upon millions; the special kinds of poor households: female-headed households, single parent households headed by men or women, farmworkers, both migrant and stationary, Native Americans, blacks, Hispanics, very large families of almost any color, race or creed.

I recognize that this principle is not one that is generally acted upon, and as I tried to think of why that was so it seemed to me that there were some questions that always came up, and what I would like to do is identify those questions and suggest answers to them.

The first question is, are there not other people who need help? In particular, are there not other people who need housing help? The answer to that is, "of course." At least half the households in this country right now desperately need housing help. We have made no appreciable progress, indeed we have retrogressed, from the situation that President Roosevelt identified. He said one-third of the Nation was ill housed. At this point one-half of our Nation is ill housed.

Absolutely, it is the case that there are many, many people in addition to the very, very poor who need housing help. The crucial point, it seems to me, is that they don't need help as desperately as the very, very poor do.

Are there not other groups in society that need help—the housing industry, the homebuilders, the mortgage bankers, the realtors? Yes, I am sure they all need help. I do not have any doubt that many homebuilders, many of whom are small business people, are facing serious financial threats that threaten them with bankruptcy. They have to change their personal ways of life.

But again, they do not need help as desperately as do the people whose incomes are far below what we identify as a poverty standard, the people who live not only in bad housing, not only in housing that is egregiously overpriced for them, the people who live in cars, the people who live in public restrooms, the people who live in public libraries, the people who live on the streets, literally live on the streets.

The next question is: Is this not a very expensive kind of program? If you are talking about helping the poorest people, you are

talking about scores of thousands of dollars per unit, whereas if you talk about helping moderate-income people or middle-income people it costs less money to help each family.

There too, the answer is yes, but it is beside the point. Our objective is not to find the cheapest program. Our objective is not to spread the Federal dollars as far as they will go. Our objective is and ought to be to deal with those problems that most cry out for help, and those are the problems of the very poorest people.

As Cushing indicated, people are forever—we are forever, and certainly you all are forever—talking about the cost of the low-income housing programs. Are these not terribly expensive programs? Well, on the one hand the answer is, so what if they are? Because if you are going to deal with real need, then you deal with it the way it has to be dealt with and you spend the money that has to be spent.

But the more substantial answer to the question, are these not terribly expensive programs, is: that depends. It depends on what you are comparing it to. As Cushing pointed out today and has pointed out courageously and accurately for years, these programs are not expensive if you compare them to the costs of the tax expenditures for middle and upper income homeowners.

And we are not crazy. We are not saying to eliminate the homeowner deduction. What we have said, what Cushing has said, what the coalition has said, is cap it at a very high level, eliminate the deduction for second and third homes. There is no compelling need that I have ever been made aware of to provide that deduction for people who have vacation homes. The first home ought to be enough.

So part of the answer to the question, Are not the low-income housing programs terribly expensive? is: Not if you compare them to the cost of the housing relief programs for middle-income people. And another part of the answer is: They are not very expensive if you compare them to what we have to pay if we do not provide decent housing for people who really need it.

I will cite just one example. This is a situation that is now in litigation in the district court here. A young child, a then three-year-old child who lived in a public housing unit in the District of Columbia, has suffered severe brain damage because she ate lead-based paint chips from the walls of her public housing unit.

Ultimately, I am confident that a substantial amount of money in damages is going to have to be paid to that child and her family by the District of Columbia government, which administers the public housing program here, and by HUD. I do not know how much it is going to be and I do not know how it is going to be divided. But I do know that it would have cost a good deal less money to have burned the lead-based paint off the walls of that public housing unit.

I do know that, despite the fact that the District government and HUD are absolutely well aware of the fact that there is lead-based paint on the walls of public housing units in the District of Columbia and in other places, HUD is not moving to take the lead-based paint off the walls. The District government is not moving because it does not have the money to move.

93-366 O—82——21

My point is—I do not want to get into lead-based paint, but it is such a good example, because the price in terms of disaster for that child, disaster for her family, and dollars and cents for the government, it is so clear that that price is far greater than the cost of making the housing decent in the first place so that those problems never arise.

So if the question is, is this not a terribly expensive program, my answer is: No, not compared to middle-income housing programs, tax expenditures. No, it is not terribly expensive when you compare it to the cost we have to pay if we do not pay for low-income housing programs. And even if it is an expensive program, so what?

Ultimately the question asked about the low-income housing programs is, why should we, the Federal taxpayers, pay money to help other people secure decent housing? And the answer to that is, because these are people who cannot help themselves. These are old people, these are crippled people, these are blind people, these are children.

I do not even want to get into the question of whether, if you talk about a woman on AFDC with childen, the taxpayers should support her. Forget about any of the questionable people, the people you could argue about. We are not even close to providing housing for all of the people whom each of you would agree ought to be helped—the old, the disabled, and the children.

If we take care of those people, I will gladly and with pleasure come up here and speak with anyone at any length, in any way, about the extent to which we ought to help other people. But those people I think everybody on this committee and I think almost everybody in the Congress would agree, those people warrant our help if we are civilized, moral human beings, which I hope we all are.

I wish I had the eloquence to describe to you the kinds of people we are talking about, the way that they struggle to live, and the way, the physical way in which they live. I wish I could express that with respect to any one of these individuals and these families, any one of the parents who has to face a child's need and know that he or she is unable to meet that need.

And then I wish I had the ability to convey to you the multiplication of that intense deprivation. I cannot do that. I know I cannot do that.

Cushing has given you the statistics from the annual housing survey and the census. I want to remind all of us that millions, I do not know how many millions—nobody seems to know how many millions, but everyone who has studied the problem agrees that it is millions—millions of the poorest people are not caught by any of those statistics because they do not live in any place that anyone would call a dwelling unit.

These are the people to whom I referred before, the people who live in the parks, and they are living in parks within an easy walk of the Capitol, the people who live in the libraries, and they are living in a library within an easy walk of the Capitol, the people who live in the public lavatories, in the cars, literally on the streets.

And I am not talking only about the deinstitutionalized former mental patients. Many of those people are old, perfectly sane people who lived very fruitful and productive lives, and now find themselves with no means of supporting themselves and either have no families or will not be a burden to their families.

Many of them are disabled. Some of the disabled are disabled because they were disabled in the war, and I am thinking of the Vietnam war, but probably there are older disabled veterans of the Second and First World Wars. Many of them are women who, because of their domestic situations, have no place to go and have no means of earning a living. And many of them are children.

Shelter officials in New York City recently found—there is a story in the Times about it—that they were seeing many families, women and sometimes women and husbands, with children in the shelters because they had no place else to go. And one official was reported in the Times as saying that they could not move the people out of the shelters very easily, because the people had no place to go when they left the shelters.

And the shelters, let me assure you, are terrible places. None of us would want to spend any amount of time there. None of us with children would want to bring our children up, even for one day, in a shelter. When people will not leave a shelter, you know they have no place else to go except the street.

What are the consequences if we agree with the first principle, which is that we ought to help those who most need help? It seems to me that one thing follows from that, and that is that every Federal dollar that gets spent on housing ought to be spent on helping these people, and that means using the deep subsidy programs. It means using the low-rent public housing program, using the 202 program for the elderly and handicapped, using the Farmers Home programs, including the HOAP program, the deep subsidy rural homeownership program that is really the child of this committee.

And because we are all so defensive these days in trying to hang onto what we have got, the HOAP program, which never was funded but was authorized, has sort of been forgotten about. It should not have been forgotten about. It was an extraordinarily good idea. It still is an extraordinarily good idea, and we should not permit ourselves to get our backs to the wall and let good ideas go by the boards.

And it follows also that targeting those programs to the lowest income people has to be not only legislated, because the Congress has in general legislated a focus on the lowest income people, but, as I think this subcommittee recognizes, Congress is going to have to followup on that legislation.

Last year Congress directed Farmers Home to target at least 30 percent of its housing assistance to very low-income households, and the Farmers Home Administration in January published final regulations that make it a virtual certainty that low income, very low-income households, will not receive any significant amount of relief.

My colleagues from the rural programs doubtless will address that at somewhat more length.

I have two other points I would like to get onto, and I will be briefer on the second and third points than I was on the first. My

second point is when we are taking care of these people we ought to take care of them decently and effectively, by which I mean three things:

First of all, make the housing affordable. Here we all are with our backs to the wall again, saying do not let rents go higher than 30 percent of income, do not include food stamps, do not make people pay their utility bills. Those are not the terms on which this discussion or debate—it really is a debate—ought to be conducted.

The principle is that the housing ought to be affordable, and the way you find out if housing is affordable is, first you look at the amount of income that the family has after you take away taxes and job-related expenses; and then you look at the number of people who are in the household, because, as must be obvious, $3,000 for one person permits a greater expenditure for rent than does $3,000 for four people.

Now, should the administration's new proposal for rent increases be rejected? Absolutely, absolutely—and if anyone would like to hear me expound at greater length about that I will be glad to, but it seems to me so evident that you cannot take people who are on the brink of disaster at this point and impose more obligations on them, that I am not inclined to talk more about that.

What I urge is that we make more rational and more effective the formula by which rents are determined. Do not leave it to the Secretary. Congress ought to say that the rents should be set by looking at the amount of income and the number of persons in the household so as to determine how much the family needs for other essential expenditures, and then the rest of it can be paid for rent. In the case of very low-income people, the percentage is going to be a lot smaller than 25 percent of income for rent.

In that connection I should add my devout hope that the Congress will reject the suggestion that there be a new version of the section 8 existing program, "new" meaning most evidently cheaper. The administration's proposal for a new section 8 existing certificate is just a proposal to provide less money for the people who have to find housing.

The second aspect of taking care of people decently and effectively is, take care of them over the long term. I suppose that very few people in this room ever have had to wonder how one would pay for housing a year from now. But a lot of other people do have to worry about that.

A section 8 certificate that is good for 1 year only is certainly better than nothing, but it leaves people with very little confidence in their own ability to continue to help themselves and their families. In general, when we are judging proposals for subsidy programs we ought to look for long-term subsidies.

Ironically, the conversion proposals that are in the omnibus bill and in the administration's proposals go exactly the wrong way. What we are doing is taking the section 23 program and the 236 deep subsidy program, both of which are good—they are deep subsidies and they are over a substantial period of time—and we are converting them to shorter term subsidies.

Now, why? Because it saves money. But in the long run it is not going to save money. It is just going to create more uncertainty.

And what is even worse than uncertainty, when the shorter term subsidy is used up it is going to cause displacement.

Finally, my third point with respect to taking care of people decently and effectively is one you have heard before, and that is keep the housing in decent condition, which means basically provide enough money. And I applaud the subcommittee for what it has done already and what I believe it will continue to do, and that is to provide adequate funding for public housing operating subsidies, for public housing modernization, and for the flexible subsidy for FHA-assisted so-called troubled projects.

I want to point out, however, that in addition to the basic reason for doing this, which is to provide enough money to keep the housing decent, there are other benefits to doing it. One additional benefit is, for both operating subsidies and modernization money, is that it will make available at relatively slight cost thousands of units that are now vacant.

There are at least—this is a guess, but it is an educated guess and a conservative one—there are at least 10,000 empty public housing units in this country now, at least 10,000 empty public housing units. Now, some of them might cost a couple of thousand dollars to fix up. Some of them would cost as little as $100 to fix up.

And I know that that is true. In Atlanta the housing authority has said that is true. It is insane, when we have a desperate housing crisis, to have thousands of publicly owned units held empty for lack of a little bit of money.

Another extra benefit for providing adequate operating subsidies and modernization money and flexible subsidy money is that that money will create jobs, immediate employment. What the public housing authorities and FHA projects use that money for is: They hire maintenance staff, they hire electricians, they hire janitors, they hire construction trade workers.

These are people who desperately need jobs, and the public housing program was started as a jobs program in the first place. Let us put that program back to work putting people to work.

Finally, my third principle is—I think this will surprise you—my third principle is, do all of those at the least possible cost to the taxpayer and the Government. And I have three notions about how to do that:

First of all, let us use what we have. We have got 1-million-plus public housing units. The administration is proposing to demolish thousands of public housing units this year and thousands more next year, and it is proposing to sell public housing units.

Last week I went out to Alexandria to see one of the public housing projects that is proposed to be demolished, John Roberts Homes. It looks like Queens. I grew up in New York. Many of you probably are familiar with Queens. It is 90 units of perfectly lovely one-floor single-family housing.

Now, I was there last week. There were no flowers, but I am told the gardens are very nice, the people are lovely. There is no reason to tear that housing down. The housing authority wants to tear it down because there is a Metro stop right across the street and the land is now worth a lot of money and they can build an office

building. But there is enough space there so they can build the office building and keep the housing up.

There is no reason to demolish 90 units of literally irreplaceable public housing in Alexandria, Va., or anyplace else for that matter. So I devoutly hope that this committee and the Congress will tell the administration really what is in the law now, but I think you will have to make it a little more clear so they understand it: No demolition and no sale of public housing units unless the units are totally obsolete, useless, and it would not pay to fix them up.

OK. Keep the public housing units. And another in the keep and use what we have got: The section 8 5-year contracts are starting to expire, and HUD has sent out a memo telling area and regional offices that HUD will neither encourage nor discourage sponsors from opting out of subsidy programs.

I submit to the subcommittee that that is crazy. The Federal Government has an enormous amount of money invested in these projects. I am a lawyer. I recognize that at least in some of these situations we cannot compel the owners to continue in the subsidy program.

But at least HUD ought to be encouraging the owners to continue. It ought to be urging them to renew their 5-year contracts, not just giving away these projects into which so much Federal money has gone.

Similarly—and we deal with this in our testimony—in many situations the Secretary of HUD has to approve a request of a sponsor to prepay the mortgage on a subsidized project, and that approval should not be granted unless the Secretary can and does certify that the housing is no longer needed for the purpose for which it was financed in the first place.

HUD property disposition. The subcommittee is well aware that HUD, and Farmers Home to a lesser extent, HUD owns hundreds of thousands of units of single family and multifamily program all over the country. Many of those units, most of them were built under subsidy programs. They are formerly subsidized projects. The law now requires that those projects be sold only with subsidy, that having been built to serve low income people with substantial infusion of Federal money, they continue to serve low-income people. I think the Congress is going to have to make even more clear its intention that those federally financed units continue to serve a Federal purpose.

There are lots of other examples. I will not go into them because many of them are in my testimony.

Second, take care of the units that are in the pipeline. Those, next to the units that already exist, those are the cheapest units we will ever get. They are furthest along in the development. HUD says there are 700,000 units in the pipeline, and every one of those 700,000 units ought to be built, except in the rare situation where a project really will not work, in which case Congress is going to have to tell the administration that the money that is recaptured is to be reobligated.

And again I want to point out, we are all concerned about unemployment. The pipeline projects mean jobs.

I understand that the new middle income production program is motivated in substantial part by a desire to provide jobs for people.

Those jobs—I do not like that program anyway, I have to say, because it is not for low-income people. But looking at it even as a jobs program, those jobs are years away. Congress has to pass the program, HUD has to issue regulations, proposals have to come in, sponsors have to get sites. Two years is a conservative estimate.

The projects in the pipeline are jobs next month and 2 months from now and 3 months from now. From an unemployment point of view, Congress ought to come down very, very, very hard on HUD's attempt to clean out not only the 202 pipeline but the section 8 pipeline and the public housing pipeline as well.

Finally, do it at the least cost to the Government. What does that mean for new production programs? Well, the cheapest kind of program is a program we are not likely to see soon, and that is a direct Government, go out, get the housing, build the project, eliminate all of the middlepersons. Because as soon as you put in middlepersons you have profit and it costs more money.

I do not expect to see that program this year or next. But the next best thing is programs that we have on the books now. We have got the public housing program. We have got the Farmers Home programs, we have got the 202 program. Those are compromise programs. The industry groups make money on those programs. If the homebuilders need work, let them work at building public housing projects.

I go back to my first principle, which is that whatever Federal money is spent on housing ought to be spent on housing those people who are in the greatest need. For that reason, the middle income production program and the revival of the single family production program are proposals I personally cannot, do not endorse. I want to see all of that money go to poor people. They are the people who need it the most.

Thank you, Mr. Chairman.

[Ms. Roisman submitted the prepared statement of the National Housing Law Project for inclusion in the record:]

STATEMENT

OF

THE NATIONAL HOUSING LAW PROJECT

BEFORE

THE HOUSE SUBCOMMITTEE

ON

HOUSING AND COMMUNITY DEVELOPMENT

OF THE HOUSE COMMITTEE

ON

BANKING, FINANCE AND URBAN AFFAIRS

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The following statement is submitted to the House Subcommittee on Housing and Community Development of the House Committee on Banking, Finance and Urban Affairs by the National Housing Law Project. Since 1968, the National Housing Law Project has been a resource center on housing matters for attorneys and others who represent poor people in all parts of the country. As a resource on housing matters, we have been intimately involved in both the implementation and enforcement of existing housing policies and the development of new programs and policies on both the state and federal levels. Our areas of expertise include the federal rental and homeownership programs, the federal community development program and its predecessors, the problems of displacement, the rural housing programs and rights of tenants in the private market to decent housing, reasonable rents, fair treatment and strong protections against arbitrary evictions. Our activities include providing assistance to attorneys all over the country with the routine housing problems their clients regularly encounter, as well as major efforts to strengthen poor people's rights to decent housing in Congress, at HUD and the Farmers Home Administration, with state and local governments, and in the courts. From this experience over nearly a decade and a half, we have gained an extensive body of knowledge regarding the housing needs of poor people and the actual workings of the federal programs. From that knowledge, we offer the following suggestions to the Subcommittee.

The federal government must assume a leading role in meeting the housing needs of poor people. The governmental assistance must be carefully directed toward those whose incomes are lowest and who thus are in the greatest need. Given the limited amount of federal resources and the large numbers of very low-income people needing assistance, housing aid for middle-income people should be reduced, and the funds should be redirected to low-income people, i.e., those whose incomes do not exceed 50% of median income. Substantive housing programs which primarily benefit moderate, middle, or upper-income persons should be redrafted to direct their benefits to low-income people or should be eliminated. New middle-income programs, such as a shallow subsidy rental housing new construction program, should not be adopted. When the limited federal resources are properly directed toward the poorest people, then there will be sufficient funds to ensure that all who are eligible will be served.

The existing stock of federally-subsidized or insured low-income housing is one of the best resources we have to house low-income people. That housing must be preserved and fully utilized. It must also be maintained at low-income rent levels. There are a number of specific steps that can be taken to ensure the continued viability and availability of these projects:

1. Public housing operating subsidies must be authorized and appropriated at an adequate level to ensure proper maintenance and repair.

2. Modernization funds and the flexible subsidy -- both short-term funding -- should be fully utilized to help preserve public and subsidized housing.

3. Statutory limits must be placed upon HUD's power to allow demolition or other sale of public housing projects.

4. HUD must be required to encourage owners of Section 8 projects to renew their five-year contracts, when they have the option to do so.

5. Projects subsidized under the rent supplement, Section 23 and Section 236 Rental Assistance Program must be granted needed additional subsidies for the longest term possible.

Additional subsidized rental housing must be made available to poor people. The private market simply cannot supply the number of units which are needed by low-income people. The trickle-down theory espoused at times in years past clearly does not work. There are no longer excess middle-income units in America to trickle down. Thus, if we are to house the poor, the government must utilize a production program.

There are, again, a number of specific steps Congress can take to ensure that these units are added to the supply:

1. Congress must ensure that units now in the pipeline are constructed.

2. Congress should authorize and appropriate funds for new units under the public housing program, the one viable program which provides decent housing to the poorest of the low-income families at the least cost to the federal government.

3. Units should be added to the Section 8 existing program, because in certain housing markets, it does make decent housing affordable for certain low-income households.

4. Single-room occupancy residential hotels must be made eligible for the federal housing programs to prevent their rapid loss from the market.

5. Needed funds should not be diverted from poor people to fund middle-income rental and single-family programs.

The rights of tenants in the federal housing programs are presently under attack. Congress should take steps to protect and preserve those rights as well as the buildings themselves:

1. Tenant rents should be set at 25% of income with adjustments necessary to treat households in different circumstances equitably.

2. Flat rents or minimum rents tied to utility costs should be rejected.

3. Housing subsidies should not be treated as income and food stamp benefits should not be considered in calculating tenant rents.

Included in our statement are a number of proposals that can be enacted by Congress to meet the objectives of preserving, maintaining and increasing the number of units

available to low-income families without incurring substantial or additional costs to the federal government. By highlighting these proposals, we are not deviating from our belief that for low-income families to be adequately housed, there must be a substantial federal financial commitment. The non-financial proposals include:

1. Limitations on the demolition and disposition of public housing units.

2. The requirement that all assisted, insured, HUD-held or HUD-owned multifamily housing projects must be maintained in a decent, safe, and sanitary condition.

3. Limitations on HUD's approval of any mortgage prepayment for federally-assisted multifamily projects.

4. Ensuring that single-room occupancy (SRO) housing is not excluded from the federal housing assistance programs.

PRESERVATION OF EXISTING UNITS

Public Housing Operating Subsidies

In order to preserve the valuable stock of public housing units, operating subsidies for public housing must be adequate to ensure proper maintenance and repair. Inadequate operating subsidies are nothing more than a slow death for public housing. The lack of adequate funds over a period of time produces the "troubled projects" which in turn create substantial additional financial burdens on the federal and local governments. Tenants suffer because units are boarded-up and unavailable, crime increases, the condition of the premises

deteriorates rapidly and morale and pride in one's living environment disappears. For FY '82 there is a need, based upon the performance funding system (i.e., 100% PFS), for $1.401 billion of operating subsidies. Of that amount $1.152 billion has been appropriated, thus Congress should appropriate a supplement of $250 million. For FY '83 the authorization for public housing operating subsidies should be $1.6 billion. This figure is based upon a projection of 100% of PFS for FY '83.

Public Housing Modernization

The need for public housing modernization is so apparent that even this administration has requested an allocation of $90 million of contract authority (and $1.8 billion of budget authority) for FY '83. By allowing for the fact that some PHAs may opt, if given the choice, to convert outstanding reservations for new construction to modernization, HUD appears to admit that the need for modernization is greater -- perhaps substantially greater -- than $90 million for FY '83. If the need is greater than $90 million and PHAs are able to absorb the funds, Congress should be prepared to authorized more modernization funds.

The administration anticipates that it will offer to PHAs the choice of cancelling the outstanding reservations for construction of new public housing units and using a portion of the balance for modernization of existing projects. U.S. Dep't of HUD, Summary of the Fiscal Year 1983 HUD Budget, p. H-5

(February 1982), hereinafter referred to as HUD Budget FY '83. We oppose offering PHAs that option. The reservations for public housing new construction were entered into consistent with authorization levels and needs determinations as determined by Congress in prior years. The mix between modernization and new construction established by prior legislative action should be maintained and not be reallocated by administrative whim. The need in a community for both newly constructed public housing units and modernization is great. If the administration sees a need and wants to increase the amount of contract authority available for modernization, it should do so by increasing its request for modernization in FY '83.

Troubled Projects (Flexible Subsidy)

The flexible subsidy program for FHA subsidized projects, like the modernization program for public housing, is an invaluable tool for providing assistance to restore and maintain the low-income character of assisted projects through better management and improved physical conditions. When administered most effectively, this program can be used to leverage additional financial commitments by the owners.

HUD's failure to provide the flexible subsidy to projects which are in need will be costly to the government. The flexible subsidy was enacted to keep projects from going into default and to prevent the tremendous drain on the insurance funds when projects go into assignment. The failure to aid

projects now will mean payment of insurance claims later. The cost of such payments will be exorbitant. Indeed, when HUD requested the flexible subsidy program in 1978, Assistant Secretary Simons testified that if the program were not enacted "HUD could easily find itself the owner of 1,286 . . . [troubled] projects or an estimated 150,000 units" with consequent "[l]osses to the insurance fund alone . . . in excess of $3 billion." Hearings before the Senate Committee on Banking and Urban Affairs, 95th Cong. 2st Sess., on Distressed HUD-Subsidized Multifamily Housing Projects, October 14 and 17, 1977, p. 135.

It is our understanding that the HUD area offices have reported to the Central HUD Office that there is a need for approximately $100 million of flexible subsidy funds. It is also our understanding that these estimates are lower than the actual need. Upon this information, we urge that Congress should authorize at least $100 million for the flexible subsidy program. Additional funds should be appropriated in FY '83 to stop the deterioration of units and to ensure that units are not boarded up or otherwise held off the market because of their sub-standard condition. Carryover funds and the funds returned to the reserve fund ($8 million and $24 millon respectively) should be fully utilized. But they are not adequate to do the job as quickly as it must be done.

Finally, HUD should be specifically instructed to make flexible subsidy funds available, if necessary, to state aided projects. There is no reason to distinguish, as HUD apparently wants to, between federally insured and state aided projects in the allocation of flexible subsidy funds. See HUD Budget FY '83 p. H-23.

Section 8 Five Year Contracts

Prior to 1979, it was HUD's practice in the Section 8 new construction and substantial rehabilitation program to enter into five year contracts with renewals, at the sole option of the owner, for additional five-year terms up to maximum periods of 20, 30 or 40 years. See 24 C.F.R. §§ 880.109, 881.109, 886.213, 883.708 (1979) (now superseded). Even today, contracts for Section 8 subsidies for troubled FHA-subsidized projects are only for five years and renewable only if both HUD and the owner agree. 24 C.F.R. § 886.111.

HUD anticipates that approximately 1,000 units of Section 8 new construction will not be renewed this year as a result of the expiration of the 5-year terms. HUD Budget FY '83 at H-3. It is our understanding that HUD has taken the position that it will neither encourage nor discourage owners from renewing their contracts. HUD should not be permitted to take a neutral position on this issue. HUD should be obligated to take all reasonable steps to ensure that owners of Section 8 new construction, substantial rehabilitation and additional

assistance projects renew their Section 8 contracts and fully utilize the subsidies available under the new contracts.

Public Housing Demolition and Disposition

HUD anticipates that 5,000 units of public housing that are currently occupied by tenants will be demolished or disposed of in FY '83. It is not clear from the HUD Budget for FY '83 how many more units of public housing that are unoccupied may be demolished or disposed of in the coming fiscal year. (See HUD Budget FY '83, p. H-3.) This anticipated loss of low-income housing units is in stark contrast to the fact that HUD is proposing that no new public housing units be authorized for FY '83. In evaluating the consequences of a proposed reduction of at least 5,000 units of public housing, it should be noted that it represents 15% of public housing completions for FY '81.

It is beyond dispute that the number of low-income housing units is far beneath the needs and demands of low-income tenants. Units should not be taken away from this limited supply. In particular, no units should be disposed of or demolished if they are occupied.

The public housing statute should provide that public housing units may not be demolished or disposed of if there is need for low-income units in the community, provided, however, that if the cost of replacing them by new construction is cheaper than rehabilitation, the units may be disposed of or demolished if they are in fact replaced. Standards should be provided for approving a disposition or demolition plan once it

is determined that the costs of rehabilitation are excessive despite the need for low-income housing in the community.

The existing statutory provisions are not explicit enough. 42 U.S.C. § 1437d(f). To rectify that problem, the public housing statute must be amended to provide that disposition and demolition of public housing units shall be permitted only if:

- o it is determined that the units are in excess of the local need for low-income housing; or
- o if it is cheaper to replace the units by new construction than by rehabilitation and the units are in fact replaced.

In the event that there is a need for low-income housing but the rehabilitation costs are in excess of new construction costs, the statute should provide that disposition or demolition may occur only if:

- o HUD approves
- o units are replaced upon a one-for-one basis within the community
- o full relocation benefits, including the right to move into a replacement unit, are awarded to all displacees, and
- o tenants residing in the units and local tenant councils have been given a 12-month notice of the proposed action, are fully involved in the decision making process, and concur in the final plan for disposition or demolition.

Finally, the Secretary should be authorized to recapture any contract authority that may be made available as a result of the demolition or disposition and required to apply such recaptured authority to the construction or acquisition of new public housing units.

Conversion of rent supplement, Section 236 rental assistance payments (RAP) and Section 23 contracts to Section 8

The need to convert rent supplement and RAP contracts to Section 8 arises because contract authority under those programs has been practically exhausted. The Section 23 conversions are being pursued due to HUD's termination of the program. It appears that the conversions for the rent supplement and RAP programs will be for a maximum term of 5 years. In contrast, the Section 23 conversions appear to be proposed for 15 years, which is time enough to ensure that all Section 23 projects will be converted for at least the full original contract. HUD Budget FY '83 p. H-7. See also 42 U.S.C. § 1421 (note); Pub. L. No. 93-383, § 208, 88 Stat. 669, as amended by Pub. L. No. 95-128, § 201(h), 91 Stat. 1129. Rent supplement and RAP tenants and project owners should be treated the same as Section 23 owners and tenants. All rent supplement and RAP contracts should be converted to Section 8 contracts for at least the full term of the original contract. There is no reasonable justification for treating these conversions differently.

By offering 5-year Section 8 contracts, as opposed to Section 8 contracts with a term at least equal to the term of the original subsidy contracts, HUD is only delaying for 5 years the probable default and foreclosure of a majority of the rent supplement and RAP projects. The magnitude of such defaults or foreclosures will create a significant drain on the insurance fund. The feasibility of each of these federally-insured projects was and continues to be dependent upon the rent supplement and RAP contracts. Thus, by not entering into Section 8 contracts for at least the full term of the original subsidy contract, HUD is seriously threatening the feasibility of each of these projects and projecting foreclosure within 5 years.

Any rent supplement or RAP contract authority recaptured because of conversions should not be rescinded while there are rent supplement contracts outstanding. The contract authority should be kept available to amend the contracts for all the state-aided projects that are not being converted and any other contracts that cannot be converted to a Section 8 contract for the full term of the original subsidy contract. Holding the contract authority in reserve for such emergencies is prudent planning and costs the government nothing until it is utilized. Non-insured, state aided projects must not be left without necessary funds to fulfill the purposes for which Congress intended them originally.

Finally, care should be taken so that in the conversion process the Secretary does not give up the right to approve the prepayment of the underlying mortage (see pages 15-17 *infra*) or the right to require that the project be maintained for low- and moderate-income purposes for the full mortgage term.

Duty to Maintain Federally Assisted Housing in a Decent, Safe, Sanitary and Secure Condition, and in Compliance with Applicable Health and Safety Codes.

Since 1949, the purpose of the various federally assisted housing programs has been to provide decent, safe, and sanitary housing. This statutory objective was recently reemphasized in 1978 for HUD-owned multifamily projects and in 1980 for public housing projects receiving comprehensive improvement assistance. *See* 12 U.S.C. § 1437*l* and 12 U.S.C. § 1715z-1a. Despite this clear statutory objective, a United States Court of Appeals recently determined that public housing tenants have no right to expect that their units will be maintained in a safe, sanitary or decent fashion. *Perry v. Housing Authority of Charleston*, 664 F.2d 1210 (4th Cir. 1981). Such a determination should not be permitted to stand. In order to ensure preservation of all low-income units, Congress should enact legislation which requires that all multifamily projects whether they are assisted, insured, held, or owned by the federal government be maintained in a decent, safe, and sanitary condition, that they be secure, and that they comply with local health and safety standards.

We therefore suggest that legislation be adopted which states that:

(1) All multifamily housing projects assisted under the United States Housing Act of 1937, Section 236 or the proviso of Section 221(d)(5) of the National Housing Act, Section 101 of the Housing and Urban Development Act of 1965, Title V of the Housing Act of 1949, Section 202 of the Housing Act of 1959, or Section 312 of the Housing Act of 1964, and/or insured under the National Housing Act or the Housing Act of 1949 shall for the special benefit of tenants residing or seeking to reside therein, comply with all applicable laws relating to the public health and safety and local housing and building codes and shall be maintained in a decent, safe, sanitary and secure condition;

(2) As used in this section, "multifamily housing project" also includes any multifamily housing project whose mortgage is held by the Secretary of the Department of Housing and Urban Development or the Farmers Home Administration, and any multifamily housing project which has been acquired by the Secretary of the Department of Housing and Urban Development or the Farmers Home Administration pursuant to any provision of law.

Prepayment of Federally Assisted Mortgages

Owners of Section 221(d)(3) BMIR (below market interest rate) projects and limited dividend owners of Section 236 projects are currently bound by contract, i.e., by deed of trust notes, and by regulation, to obtain Secretarial approval in order to prepay their mortgages within 20 years from the date the mortgage was executed. Owners of rent supplement projects and nonprofit owners of Section 236 projects are currently bound by contract, i.e., by deed of trust notes, and by regulation, to obtain such approval during the entire

mortgage period, i.e., a full 40 years. These projects were built for low- and moderate-income people, yet some owners are seeking to prepay the mortgages on the projects and to convert the projects to middle-income condominiums or apartments. Since the existing supply of federally assisted housing is so limited, and since it is far less expensive to preserve units than to construct new ones, Congress should take action to ensure that these projects will be preserved as long as possible for low-income use.

Accordingly, we recommend that Congress enact legislation which will prevent HUD from granting permission to prepay the mortgages on these projects, during any period in which such permission is required by contract, unless the Secretary ensures that the project will be retained for low- and moderate-income use after sale or the Secretary determines that there is no longer a need for such housing to remain available for low- and moderate-income use. Additionally, before the Secretary takes any action on a prepayment request, the Secretary should notify the tenants of the owners' request and provide the tenants with an opportunity to comment upon the request. Similar legislation should be enacted for projects receiving loans under Section 202 of the Housing and Urban Development Act of 1959 if such projects have contractual limitations on their ability to prepay their mortgages.

We propose the following statutory language:

(1) The Secretary of HUD, during any period in which an owner of a multifamily housing project assisted under Section 236 or the proviso of Section 221(d)(5) of the National Housing Act, or Section 101 of the Housing and Urban Development Act of 1965* is required by contract to seek Secretarial approval for prepayment of the mortgage, shall not accept an offer to prepay the mortgage on such project unless (a) the Secretary has ensured that the project will be retained as low- and moderate-income housing after sale for a period which is at least as long as the remaining term of the owner's low- and moderate-income use obligation, or (b) the Secretary has determined that there is no longer a need for such housing to remain available for low- and moderate-income use.

(2) The Secretary shall notify tenants of an owner's request for approval of a prepayment, and shall provide the tenants with an opportunity to comment on the owner's request.

ENSURING THAT PROJECTS IN THE PIPELINE ARE CONSTRUCTED

The administration's budget documents state that there are 700,000 units of housing in the pipeline, i.e., units in projects for which funds have been appropriated by Congress and reserved in contracts by HUD but which have not yet proceeded to occupancy. HUD Budget FY '83, p. H-2 (February 1982). HUD administratively is doing everything it can to prevent the construction of those units which have not yet proceeded to

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*As noted above, Section 202 of the Housing Act of 1959 should be added if owners of projects assisted under this program have contractual limits on their ability to prepay.

construction. For Section 202 projects the Central Office has, by telex, directed the field offices to refuse contract extensions needed to get projects to construction, extensions which ordinarily would be granted. For all other Section 8 projects, the Central Office has directed the field offices to refuse extensions for projects which do not have viable financing, either under the GNMA Tandem Program or by utilizing the financing adjustment factor, which requires construction to commence by June 1, 1982. Similar pressures are being put upon public housing projects in the pipeline. In fact, in the budget the administration appears to predict that 400,000 of the pipeline projects will never see the light of day. Id. And when the reservations are cancelled, the recaptured funds will not be used for new projects.

Congress must take steps to ensure the development of these projects, for which Congress has already appropriated funds and HUD has already made contractual commitments. HUD must be directed not to cancel the reservation of funds for these projects and to rescind any cancellations which it has undertaken by the time the legislation passes. In addition, Congress must authorize and appropriate sufficient GNMA Tandem funds to finance the projects in the pipeline. Congress should direct HUD to make the financing adjustment factor available on a permanent basis and to eliminate the June 1, 1982 construction date requirement. Finally, Congress must refuse

to approve the proposed rescission of the 1982 appropriations for new subsidized units.

ADDITIONAL UNITS

Public Housing New Production

Through the years, the public housing program has been the one viable program that provides decent, safe, and sanitary housing to low-income families at the least cost to the federal government. The fact that the public housing program is a comparatively cheap program was just reemphasized by the President's Commission on Housing. In the Interim Report, the Commission noted that the median cost for public housing units, including operating subsidies and subsidies for debt service and modernization, is much lower than the subsidy projected for the voucher payment program. (Although we have not seen the HUD analysis to which the note refers, we assume that the costs are much lower because the debt service on older projects is fixed and, over time, pales in comparison to the debt service paid for housing on the private market, even for existing. See also U.S. General Accounting Office, Section 236 Rental Housing -- An Evaluation With Lessons for the Future (January 10, 1978).

The biggest problem facing public housing is its image. The general public believes (because of the disproportionate coverage that is given to the program's failures), that public housing is all highrises, run-down, mismanaged, and crime-ridden. The fact is that most public housing is low-rise, decently maintained, well managed, financially

solvent, and most importantly, appreciated by the tenants. HUD, Office of Policy Development and Research, Residents' Satisfaction in HUD-Assisted Housing, 3-1, 3-5 (March 1979). The successful projects far outnumber the "troubled projects." The successful ones are located in both small towns and large cities. They are run by both large and small PHAs. Even those PHAs which have the worst reputations for poor management run some projects that must be considered successful. For an overview to support this more accurate picture of public housing, you need only look to HUD's 1979 study, in which it found that not more than 15% of the public housing in the country can be categorized as troubled or distressed. See HUD, Office of Policy Development, Division of Policy Studies, Problems Affecting Low Rent Public Housing Projects, Table 5-1, p. 3 (January 1979).

There is no doubt that there is a need for public housing. The waiting lists for public housing alone are staggering and admittedly greatly underestimate the need. The private market, even with HUD assistance, has never been able adequately to house the poor. Families with children, minorities and single parent households in particular face the most difficulty finding housing. A recent study conducted by the Pratt Institute's Center for New York City found that 54% of the Section 8 certificate holders who wanted to or were forced to move were unable to participate in the program. See Impact of a Housing Voucher Program on New York City's Population,

prepared by Pratt Institute Center for Community and Environmental Development, p. 25 (November 1981). Families unable to use the certificates were disproportionately low-income, minority households with children, and non-elderly adults. The results for the Section 8 new construction program are not substantially different. A recent HUD study indicates that non-whites are substantially underrepresented in Section 8 new construction projects. See Vernarelli, Integration and Section 8 New Construction, HUD, Division of Housing Assistance Research (April 1981). Thus, it is clear that a new construction public housing program is needed if low-income families, especially minorities, families with children, and non-elderly adults are to be adequately housed.

A minimum authorization level should be enacted to provide for at least 35,000 new units of public housing. This number of units, although relatively modest in comparison with prior years, is consistent with the reservations starts and completions for FY '81 and FY '82.

Section 8 Existing

The Section 8 existing housing program is a viable housing program in certain housing markets, where the vacancy rate is not unsubstantial; for tenants needing units with fewer bedrooms; for the elderly; and for non-minority families. Because the Section 8 existing housing programs meets a real need in certain housing markets and among specific classes of low-income families, we support an authorization of 100,000

additional units of Section 8 existing housing.

Modified Section 8 Existing Housing Program

The administration is proposing a modified Section 8 program but has only generally described the program in the HUD Budget for FY '83. It is apparent, however, that the program would vary to the detriment of low-income tenants from the existing Section 8 housing program in three major ways. First, the tenant's subsidy would be for a fixed amount representing the difference between 30% of tenant income and the fair market rent (FMR) for the existing units in the area. A tenant would be required to pay more than 30% of income if he or she could not find a unit at the FMR level. If the rent for the unit was less than the FMR level, the tenant would pay less than 30% of income for rent.

Second, the contracts with the PHAs would be fixed for five years. There would be no adjustments available to pay increasing rents, utilities, etc. Tenants would have to pay annual increases out of their own pockets. Alternatively, presumably, through attrition, fewer tenants could be served and the "savings" spread to the remaining tenants to cover increases in rent.

Third, the modified Section 8 program is worth less to any particular current Section 8 participant because the FMRs would be recalculated and reduced by 15-20%.

As outlined, we cannot support the modified Section 8 program and urge Congress to reject it too. For any housing

subsidy program to work, two elements must be present. First, the subsidy must be adequate to make the housing affordable. Second, the housing paid for must be decent, safe and sanitary. The administration's proposal fails on both counts. With respect to the former, the subsidy as proposed is wholly inadequate and anticipates a substantial contribution by the tenant, if not initially, certainly over time.

With respect to the second condition, the administration's proposal is silent. We therefore urge that if a modified Section 8 program is to be adopted, minimum federal standards of decent housing should be established. The standards should be similar to those already developed under the existing Section 8 program. See 24 C.F.R. § 882.109. Local jurisdictions could adopt or use their own standards provided that the minimum federal requirements are met. Federal minimums are necessary because many jurisdictions, especially rural ones, do not have housing codes. Landlords who rent to modified Section 8 recipients must be obliged to ensure that the housing they rent is in compliance with local codes and the federal minimum standards.

Enforcement of the habitability standards should rest with both the local administering agency and the tenant. The local agency should inspect the units, help mediate disputes between the tenant and the landlord, and support tenants in eviction actions where there is a habitability defense. The federal statute must guarantee the right to raise the lack of

habitability as a defense to an eviction action or affirmatively in a damage action against the landlord. Without these enforcement mechanisms, a primary goal of the modified Section 8 program -- adequate housing -- would not be met. At the same time, the statute should be clear that the PHA should not be allowed to deprive a family of its modified Section 8 benefits merely because its landlord has not complied with the applicable standards.

Single Room Occupancy Housing

As the Subcommittee is well aware, single room occupancy residential hotels constitute the segment of the housing stock which is most rapidly disappearing. Despite many myths to the contrary these residential hotels do provide satisfactory homes for hundreds of thousands of people in all parts of the country, both big cities and small towns. For most of these people, many of whom are elderly, retired individuals, no affordable alternative housing is available when their residences are demolished or converted to non-residential use.

In the past, efforts have been made to ensure that single room occupancy housing units are not denied the federal housing subsidies which they need to ensure their preservation. In 1980, Congress responded by making them eligible for the Section 312 program and in 1981 they were made eligible for the Section 8 moderate and substantial rehabilitation programs. However, HUD has not yet adopted any regulations to implement these statutory changes. What is more important, these three

programs for which SRO's have been made eligible are now threatened with extinction just as the SRO's themselves are.

Now it is necessary to enact a direct, clear, self-implementing provision, that will ensure that SRO housing is not excluded from the federal housing assistance programs, whatever form they may take. To do that, we suggest the following language:

(1) Residential properties in which some or all of the dwelling units do not contain bathroom or kitchen facilities shall not on that ground, be excluded from the federal housing programs, including, without limitation, programs authorized by the United States Housing Act of 1937, as amended, the National Housing Act, as amended, Section 101 of the Housing and Urban Development Act of 1965, as amended, Section 202 of the Housing Act of 1959, as amended, Title V of the Housing Act of 1949, as amended, and Title I of the Housing and Community Development Act of 1974, as amended.

(2) Residents of or applicants for housing referred to in this section shall not be denied the benefits of the housing programs listed in that subsection on the ground that they are single individuals.

Middle and Upper Income Program

The Chairman's bill, H.R. 5731, includes a new program to stimulate the production and rehabilitation of rental housing. As we understand it, $1.3 billion would be authorized for appropriation this year, to fund grants which HUD could distribute to state and local governmental agencies. The state and local governments would apply to HUD for the funds, which would be awarded on a competitive basis. The funds could be used for a number of purposes, including capital grants to

93-366 O—82——23

developers, loans to developers, and interest reduction payments. For a period of 15 years, at least 20% of the units in a project would have to be made available for occupancy by households whose incomes did not exceed 80 percent of the median income for the area, unless the developer is willing to repay the assistance.

We do not see that this new program will benefit the poor people in this country who are desperately in need of decent housing. The statute would require the owners to make 20% of the units available to households with incomes at the 80% of median income level. The bill, however, limits the assistance to items of a capital and debt service on capital. <u>See</u> Section 312(d). Painful experience with the Section 236 and Section 221(d)(3) BMIR programs demonstrate that housing subsidies that are tied solely to capital costs cannot make housing affordable by people who are poor. Clearly, they cannot ensure that such housing will remain available to them over the years as inflation drives operating costs upward. Furthermore, the assistance is limited to the <u>least</u> amount needed to make the reserved units affordable by families whose incomes do not exceed 80% of the median. A HUD Secretary who desires to limit federal outlays is quite likely to limit the assistance to the amount necessary to bring the initial rents down to 30% of the 80% of median income figure. Tenants whose incomes are beneath that level will just have to pay more of

their incomes for rent, as is now true in the Section 236 and Section 221(d)(3) BMIR programs.

In practice, the tenants who rent these units set aside for so-called "low-income" people will be tenants at the very high end of the 0-80% of median income spectrum. The rents will be set at 30% of that income figure. Thus, they will be very difficult for people with lower incomes to afford. The buildings will be 80% occupied by middle-income tenants. Thus, the owners will be easily able to attract "low-income" families with incomes at or very near the 80% of median income level. The owners will have every opportunity to operate upon their usual bias in favor of applicants with higher incomes. As the bill is drafted, an owner could comply by renting studio units to one-person households whose incomes are beneath the 80% of median figure, even though their incomes far exceed 80% of the median figure of one-person households.

One must also remember what income levels are approvable under the 80% of median standard. The 1981 figures for 80% of median incomes are: $24,960 in Seattle; $24,400 in San Francisco, $23,680 in Chicago, $19,520 in Phoenix; $20,240 in Dallas; $20,960 in Des Moines; $22,880 in Minneapolis; $15,440 in Charleston, South Carolina, $25,920 in Washington, D.C.; $21,040 in Buffalo, New York and $19,840 in Providence, Rhode Island. Those families, even with two children, are hardly poor. At least under the Section 8 and public houing programs no more than 5% of the new units and 10% of the older units can

be rented to families at those high income levels. Under the proposed rental housing program, all of the reserved units in the buildings would go to families at those income levels, and the other 80% of the units would go to more wealthy people.

Even the units which are reserved will only be made available to "low-income" tenants for 15 years, at the most. When one compares that term to the 40 years of availability under the public housing, Rent Supplement, Section 221(d)(3), Section 236 and Section 202 programs, and the 20 years available under the Section 8 and FmHA programs, one must question the wisdom of making such an investment of federal funds in units which will be available for such a short term. Then when one looks at Section 317(b)(1) one finds that an owner can remove the units from the program only by agreeing to pay the Secretary the assistance provided, plus simple interest at the long-term treasury borrowing rate if the assistance was provided in the form of a loan. The obligation to pay back any assistance granted, at no interest, or at most at simple interest, will not be much deterent for the developer who wants to convert to condominiums as soon as the market conditions improve.

It is also revealing to compare the budget figures for this program to a number of the other HUD programs. This program as drafted will consume $1.3 billion of budget authority and will also require $1.3 billion of outlays in the 1983 fiscal year. That $1.3 billion is more than three times the $400,000 of

budget authority and outlays the UDAG program has been operating upon for the past few years. It is almost one-third of the amount available annually under the Community Development Block Grant program which has been in place for nearly eight years. It would represent, we think, more in annual federal outlays in the first year of its existence than any other federal housing assistance program since 1937. Yet it is an experimental idea developed out of heavy lobbying and political consideration with no assurance that it will benefit anyone deserving of federal government assistance. Finally, that $1.3 billion of budget authority could support as many units of newly constructed public housing, which really will serve poor people, as the 12,000 units that reportedly will be reserved for "low-income" tenants under this program.

If what the Congress is concerned about is immediate relief for the depressed residential construction industry, this is not the program to provide the relief. Only an extreme optimist would predict that any units will begin construction under this program before the summer of 1983. The spring of 1984 would be a much more likely target date. In the interim, this authorizing legislation will have to be enacted (Summer 1982), appropriations will have to be made (Fall 1982), OMB will have to apportion the funds (Winter 1983), HUD will have to draft, publish for comment, and finalize the rules (Spring 1983) and write the handbooks (Spring 1983), state and local governments will have to develop proposals and apply to HUD for

funding (Summer 1983) and in September of 1983 HUD will finally make the funds available. Then the projects will proceed with local approvals, working drawings and financing arrangements, with construction beginning in 1984. That relief will hardly save the presently beleaguered construction industry.

If Congress wants to provide the relief needed now it should take the steps necessary to ensure that projects now in the pipeline can proceed to construction. They will create the jobs which are needed now, when they are needed. For additional units, Congress should also continue with the present public housing program. It is in place and can produce construction starts much more quickly than an experimental program, which will require new rules and will rely heavily upon state and local governments that do not have the skilled personnel ready to get the units constructed.

PROTECTING TENANTS' RIGHTS

Tenants' Rents Should be Maintained at 25% of Adjusted Income

Since 1965, Congress has determined that low-income families should pay no more than 25% of their income for rent. (*See* 12 U.S.C. § 1701s rent supplement program.) Until the passage of the Omnibus Budget Reconciliation Act of 1981, Congress had consistently applied this principle to all low-income housing programs. *See* 42 U.S.C. § 1437a (public housing); 42 U.S.C. § 1437f (Section 8); 12 U.S.C. § 1715z-1(f)(2) (Section 236 RAP). Congress should adhere to

the principle that low-income tenants' rents should not exceed 25% of income, and should reinstate this rent income ratio.

The most recent Annual Housing Survey (1979) shows that the median percentage of income spent on rent has just increased to 26%. The percentage of income spent on housing dramatically declines as income increases. The median rent for a family in the $20,000-$25,000 income range is 16% of income. Thus the richer you are the smaller the bite for housing. Low-income families who typically expend all monthly income on basic necessities of food, shelter, clothing and medical expenses should not be forced to choose one necessity over another or to pay a greater percentage of income for rent than the average American. The national housing goal is to achieve without delay a decent home and suitable living environment for every American. Inherent in that goal is the objective that the housing be affordable. Affordable housing should not be defined as 30% of income for lowest income families when the median rent for all renters has just reached 26% and is substantially less for the wealthy.

Congress should define family income for purposes of establishing tenant rents. The definition of income as provided for in the public housing statute prior to the passage of the ill-considered Omnibus Budget Reconciliation Act of 1981 should be reinstated. See Pub. L. No. 91-609 § 208(a) (1970). The Secretary, who has abused his power in the past on the issue of defining public housing tenant income, should not be

permitted to exercise his discretion to the detriment of low-income tenants, and unfettered by explicit Congressional guidelines.

The administration is proposing that the minimum rent for public housing should be equal to the cost of utilities. Congress should resist all attempts to establish a minimum rent equal to the cost of utilities. Any such form of minimum rent would be grossly inequitable. The lowest income tenants under such a system would be required to pay the greatest percentage of their income for rent. If all utility costs were paid for by tenant rents, all incentives that currently exist for PHAs to reduce utility costs, weatherize and retrofit would be eliminated. Tenants in general and low-income tenants specifically are not in the position to undertake significant weatherization or energy conservation techniques. These steps must normally by undertaken by the landlord or, in the case of public housing, the PHA. Passing on the utility costs to tenants also cannot be justified as a valid energy conservation policy because of the inelasticity of low-income family energy needs. Low-income families do not have extra rooms that they can close off and not heat, they cannot reduce the temperature of the pool, etc. Finally, it is our understanding that the majority of low-income tenants live in projects with mastermetered utilities, and central heating and utility systems, thus, they have no control over their personal

consumption of utilities, even assuming that their consumption could be reduced.

The HUD Budget for FY '83 does not specify the exact details about how the minimum rent would be established. As a result, we must make assumptions about how the minimum rent based upon utility costs would work before we show what the undesirable consequences of such a minimum rent would be. Assuming that the minimum rent would be based upon the utility costs of the project or the unit that the tenant is residing in, tenants' rents would vary substantially depending upon the location of the project in the country (i.e., North or South), as well as in the community (i.e., hilltop, northside, etc.); and the location of the unit within the project (i.e., detached, interior, corner apartment, first floor, etc.); the age of the project and the heating system; and the amount of insulation and weatherization. Tenants living in northern communities would have to pay substantial portions of their incomes for rent. A Massachusetts study that is now three years old shows that if rents were based on utilities, some tenants would have been required to pay rents equal to or in excess of 50% of income. Congress should not support a proposal that would work such a grave injustice and penalize the lowest income families for living in northern states or in inadequately insulated public housing units.

Finally, such a formula would wreak havoc with a PHA's tenant selection and transfer policies. Tenants within a

particular community would be clamoring for particular units and rejecting others based upon projected utility costs. The lowest income tenants would all want to live in the most energy efficient units.

Assuming that the minimum rent applied to all tenants, and that it was based on actual utility costs, tenants living in mastermetered units would have no minimum rent because it would be impossible to determine the actual costs of utilities on a unit-by-unit basis. If average utility costs for a mastermetered project were used to set the minimum rent, the tenants would be discriminated against because, unlike the retailmetered tenants, they would have no control over their utilities and thus no control over the amount of the minimum rent. If, on the other hand, the mastermetered tenants were excluded from the minimum rent provision, the retail metered tenants would be discriminated against because they would have a potentially staggering minimum rent and the mastermetered tenants would not.

Assuming that the minimum rents were set at an average of all utility costs nationwide, certain PHAs would receive a windfall because utility collections would exceed utility costs. If these windfalls were somehow equalized, there would still be no incentive for the PHA to reduce utility costs because all costs would be covered by tenant rents. Thus, there would be no savings realized by the PHA for its conservation efforts.

The statute which currently provides for a minimum rent based upon a percentage of tenant income (or the shelter component of the welfare grant) is the more equitable minimum rent provision. If a minimum rent is to be supported, the current statutory provisions should be retained or better replaced by the 5% of gross income provisions in effect prior to the adoption of the Omnibus Budget Reconciliation Act of 1981. Minimum rents based on utility costs should be rejected.

It has been argued that the percentage of income formula for minimum rent is not prudent because it produces in some cases zero rents. The fact of the matter is that the number of tenants paying such zero rents are virtually diminimus. In 1974 less than one-half of one percent of all public housing tenants paid zero rent. (See H.R. REP. 1114, 93rd Cong. 2d Sess. 1974, Supplemental Views of Congressman Joe Moakley to H.R. 15361.) Even if the number of tenants who pay zero rent were greater, it should not support minimum rent based on utility costs. The plight of the zero rent tenant only highlights the crisis of income for the very poor of this country. Congress must not adopt a policy that looks to the poorest of the poor in public housing for additional revenue. The irony of such a policy becomes more poignant when one contrasts the tax advantages that middle-income homeowners obtain through interest and property tax deductions. This disparity in treatment can never be justified as equity between the rich and the poor.

The administration has also proposed that, assuming that the 30% rent-income ratio of the Omnibus Budget Reconiliation Act of 1981 is retained, tenant rents should be increased from 25% to 30% at a rate of 20% per year as opposed to 10% per year which is now required by statute. Twenty percent (20%) annual rent increases are hard for any tenant to absorb, let alone a low-income tenant who is on a fixed income and a limited budget and probably faces potential decreases in the coming year in income due to reductions in other social programs.

Treating Housing Subsidies and Food Stamp Benefits as Income

Last year the administration proposed and the Congress adopted legislation that authorizes state welfare departments to treat federal housing subsidies as income under the AFDC programs. 42 U.S.C. § 602(a)(7)(C). This year the administration indicates that it will propose, in addition, that food stamp benefits be treated as income for purposes of computing the tenants' rents under the housing programs. Treating housing subsidies as income for AFDC purposes and food stamps as income for housing purposes will have disastrous consequences for both the tenants and the landlords, including PHAs, operating under the housing programs. When the housing subsidies are treated as income, the shelter portions of the AFDC grants will be reduced, dollar for dollar, by an amount

equal to the subsidy.* When food stamp benefits are treated as income for rent setting purposes, the tenants' rents will increase even though those tenants will not have any additional money to pay the rents.

This two-pronged attack on welfare tenants, reducing their incomes and simultaneously raising their rents, will leave them without the funds needed to meet all their basic survival needs, as welfare grants are barely designed to do that, even without these changes. In many situations the tenants will not have enough money after the changes to pay even their share of the rent. That will cause excessive rent collection problems for the landlords and in some situations will threaten the financial stability of the projects. The reduction in the tenants' welfare grants will reduce the shares of the rents they pay. But that, in turn, will increase the housing subsidy. Thus, part** of the savings in the welfare program will merely increase the federal expenditures under the housing programs.

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*In its Introductory Comments to its final regulations on the issue, HHS indicates that a state which treats the housing subsidy as income will have maximum flexibility to reduce the welfare grant by the full amount of the shelter component, even if the tenant has to pay part or all of that shelter component to the landlord as rent. 47 Fed. Reg. 5653 (Feb. 5, 1982).

**If the rent-to-income ratio under the housing program is 25%, 25% of the AFDC savings will be borne by the government as increased housing subsidy expenditures and 75% would be borne by the tenants.

Treatment of their housing subsidies and food stamp benefits as income is unfair to the tenants, because it forces them to choose between decent, affordable housing, adequate nutrition, and the welfare allowances which they need to meet all their basic needs. Doing so cannot be justified on the grounds that the families receive a financial benefit from the housing subsidies. The housing subsidy is not paid in cash which the families can spend on anything they wish. It might be said that a portion of the housing subsidy allows the family to save money on housing and to use that money on other basic needs. However, that is not true for the major portion of the housing subsidy. Most of the subsidy goes to pay for housing of decent quality which the family could not rent in the absence of the housing subsidy. Most of the rest of the subsidy covers the administrative expenses of the programs.

The saving on housing cost created by the subsidy is not a windfall to the family which should be taken away through the welfare program. The very purpose of the housing subsidy is and always has been to provide persons decent housing and to reduce its cost to them to an affordable level. The premise of the welfare programs is to provide at most the bare minimun income needed for survival and, in many cases, only a ratably reduced portion of that bare minimum. Housing subsidy programs are designed to provide a supplement to such bare minimum income, in order to make available to poor people the decent housing which will increase their opportunities and their

children's opportunities for decent lives. Similarly, food stamp benefits are designed to supplement those minimal welfare grants to ensure adequate nutrition. To turn around and take that supplementary assistance away dollar for dollar is inconsistent with the premise and purposes of the housing and food stamp programs in the first place.

Every time this Committee has faced this question in the past, it has consistently said that housing subsidies should not be treated as income for other welfare programs. Except for the ill considered Omnibus Budget Reconciliation Act of 1981, the full Congress has always agreed with this Committee's position. That is true with housing subsidies and the food stamp program (7 U.S.C. § 2014(d)(1)); housing subsidies and the SSI program (Pub. L. No. 94-375, § 2(h), 90 Stat. 1068, noted at 42 U.S.C.A. § 1382); Farmers Home Administration subsidies and all welfare programs (42 U.S.C. § 1490a(a)(1)(3)); and Uniform Relocation Act replacement housing payments and all welfare programs. 42 U.S.C. § 1436. The legislative history of each of these provisions reflects the congressional judgment that it is unwise, unfair and counter-productive to treat housing subsidies as income for welfare. The Congress must adhere to this judgment and adopt a provision preventing the treatment of housing subsidies as income. It also must reject the administration's proposal to treat food stamp benefits as income when setting rents.

We suggest the following language for such a provision:

Notwithstanding any other provision of law, the value of any assistance paid with respect to a dwelling unit under any of the federal housing programs, including, without limitation programs authorized by the United States Housing Act of 1937, the National Housing Act, Section 101 of the Housing and Urban Development Act of 1965, as amended, Title I of the Housing and Community Development Act of 1974, Title V of the Housing Act of 1949, Section 202 of the Housing Act of 1959, and Section 312 of the Housing Act of 1964, shall not be considered as income or a resource for the purpose of determining the eligibility of or the amounts of benefits payable to any person for assistance under any federal, state or local laws including, but not limited to, laws relating to welfare and public assistance programs.

CONCLUSION

We thank the Committee for giving us the opportunity to submit this statement on housing legislation. Members of the staff of the National Housing Law Project will be available to work with the Committee's staff on any of the proposals presented.

Chairman GONZALEZ. Thank you very much, Ms. Roisman, for an excellent statement.

We will proceed under the 5-minute question period and I have one question. I, just a few days ago, requested of the District of Columbia housing authority director a tour, and when I find out what date is amenable I am going to invite my colleagues on the subcommittee to join me if they want to. And one reason was that some years ago on this subcommittee there was a big to-do about the lead-based paint and the problems attendant thereto. But it was not until I saw your testimony that I was aware that this was a continuing problem even in the District.

And I also noticed in your testimony the reference to *Perry* v. *The Housing Authority of Charleston.* So that was kind of a shock to me. I was not aware of that court decision, and I have not had a chance to look up the citation on it and read it.

But I wonder if you could explain the court's decision that public housing tenants do not have a right to expect their units to be maintained in a safe, and sanitary, decent, healthy condition?

Is that to be interpreted that federally assisted housing projects are not covered by the doctrine of habitability or warranty of habitability?

Ms. ROISMAN. Mr. Chairman, I can give you my interpretation——

Chairman GONZALEZ. I would be very interested in that.

Ms. ROISMAN [continuing]. Of what the fourth circuit's problem was. In the past half dozen years there have been a number of

cases, many of them decided in the Supreme Court, involving the question whether, with respect to a variety of different statutes, Congress intended that there be an ability on the part of private persons to enforce those statutes.

And I think that what happened in the *Perry* case was that the Fourth Circuit Court of Appeals did not find enough in the U.S. Housing Act to enable it to say that Congress had intended that tenants should be able to enforce an obligation on the part of the housing authority or HUD to keep the properties in decent, safe, and sanitary condition. The statute is very clear that the properties are to be kept in decent, safe, and sanitary condition. The problem, as probably all of us know, is that it is fine for the statute to say that, but if there is no enforcement mechanism it is not going to get enforced.

And what happened in the *Perry* case is that the fourth circuit said if Congress had intended that tenants could enforce it, Congress would have said so, and Congress did not say so. That is why we are suggesting now that Congress do say so, because tenants in private housing in most places in this country have that right and it seems anomalous that tenants in public housing should not have the right to enforce decent, safe, and sanitary conditions.

Chairman GONZALEZ. There is a related question to that, but I am going to ask unanimous consent that I may submit it. Briefly, it is that there is, I understand, a great deal of debate in the administration with respect to the Uniform Relocation Act and its significance if you do get the new federalism.

But what I will do, because I just have about half a minute here, is to submit some additional questions for the record.

[The following written questions were submitted by Chairman Gonzalez to Ms. Roisman and Ms. Dolbeare and appear with their responses:]

QUESTIONS SUBMITTED TO MS. ROISMAN

Question 1. The administration is presently considering whether the benefits of the Uniform Relocation Act should be available to families displaced because of activities funded in small cities through the State-run community development block grant program. What is your opinion on the applicability of this law?

Answer. It is difficult to believe that HUD is seriously entertaining doubts about the applicability of the Uniform Relocation Act (URA) to families displaced because of activities funded in Small Cities through the State-run Community Development Block Grant (CDBG) Program. URA coverage of state-run, federally assisted programs is stated in sweeping terms:

> "*Notwithstanding any other law,* the head of a Federal agency shall not approve any grant to, or contract or agreement with, a State agency, under which Federal financial assistance will be available to pay all or part of the cost of any program or project which will result in the displacement of any person [unless he receives assurance of compliance with the Act]." (Emphasis added.)

42 U.S.C. § 4630. "Federal financial assistance" is elsewhere defined as a "grant, loan or contribution provided by the United States, except any Federal guarantee or insurance. . . ." 42 U.S.C. § 4601.

The Senate Report explains that these requirements mean ". . . in essence, that State and local governments administering federally assisted development programs must also agree to provide the relocation payments, services, and assurances of available housing that are required of Federal agencies, as a condition for receiving the Federal assistance for the programs involved." S. Rep. No. 488, 91st Cong. 1st Sess. 13 (1969).

The motivating force behind the passage of the URA was Congressional acknowledgment of the need for uniformity, fairness and equity. 42 U.S.C. § 4621. The unjust results of the lack of a uniform, fair and equitable policy for providing relo-

cation assistance and benefits were observed by you, Mr. Gonzalez, at hearings on the proposed legislation that ultimately became the URA:

"Situations where one local resident receives different payment and treatment than another under acquisition programs of the federal government will not be understood. To the man on the street, a bulldozer with 'U.S.' on its side is the same as another bulldozer with 'U.S.' on its side."

Uniform Relocation Assistance and Land Acquisition Policies Act of 1969: Hearings before the Sen. Subcomm. on Intergovernmental Relations, 91st Cong. 1st Sess. 111 (1969).

Is it possible, because Congress in 1981 amended the Housing and Community Development Act to provide states that opt to administer the Small Cities program with greater decision-making authority and flexibility, that HUD also considers the states free to decide whether the URA applies to CDBG-assisted, displacement-causing activities? If that is its rationale, HUD cannot so easily attempt to erase the government label off the bulldozer. It is a long-standing canon of statutory construction that a legislative enactment remains the law until it is explicitly repealed. *See, e.g.*, the cases cited in 2A J. SUTHERLAND, STATUTORY CONSTRUCTION 56.02 (4th ed., C. Sands, 1973). This canon "applies with particular force when the asserted repealer would remove a remedy otherwise available," *Schlesinger v. Councilman*, 420 U.S. 738, 752 (1975).

The virtue of attaching a presumption of on-going vitality to any prior law is that *Congress*, not an administrative agency or the courts, has the opportunity to make the decision if it perceives a conflict between two of its laws. In the absence of Congressional action, the courts are very wary about construing one law as impliedly repealing another. In *Morton v. Mancari*, 417 U.S. 535 (1974), the Supreme Court stressed that there must be an irreconciliable conflict between two laws for the latter to repeal *sub silentio* the earlier.

There has been only one instance where the URA has been found to be inapplicable to a later-enacted law, and that was in the case of *Goolsby v. Blumenthal*, 590 F.2d 1369 (5th Cir. 1979) (*en banc*). But in *Goolsby*, the other law in question, the 1972 General Revenue Sharing Act, was so radically different from the 1981 Small Cities program amendments that the case is wholly inapposite. The irreconciliable conflict between General Revenue Sharing and the URA was founded on the following facts. First, the court noted that the Revenue Sharing Act made reference to only two other federal laws: Davis-Bacon and the civil rights laws. Further, if the URA were applied, the court found that there was no effective mechanism for the Office of Revenue Sharing to enforce the requirement. There is no provision for a "front end" review of proposed expenditures and there is no possibility of a meaningful performance review because of the difficulty of tracing the funds and determining how they were actually spent. The court also found evidence in the legislative history of the Revenue Sharing Act that the use of the funds would not trigger the application of any laws or standards not specifically spelled out in the Act itself. This was consonant with the Act's "no strings attached" approach to dispensing funds. Finally, the court found persuasive the fact that Congress had remained silent after the Fourth Circuit held that NEPA, another federal law not specifically mentioned in the Act, did not apply to general revenue sharing funds. *See Carolina Action v. Simon*, 552 F.2d 295 (4th Cir. 1975).

In sharp contrast, the 1981 amendments to the Housing and Community Development Act expressly hold the grantee to compliance with civil rights laws *and "other applicable laws*." 42 U.S.C. § 5304(b)(4). Further, the "force fit" the Fifth Circuit complained of in *Goolsby* is not present when meshing the URA with the new Small Cities program. There is an effective means of enforcement. While the "front end" review has been eliminated, Congressional intent was to emphasize the performance review—and I do not think that HUD would want to be in the position of arguing that it cannot effectively trace and account for CDBG expenditures.

There is not one shred of support in the legislative history of the 1981 amendments for the view that a *sub silentio* repeal of the URA was contemplated by Congress. To the contrary, the purpose of the shift in decision-making and the emphasis on flexibility was procedural, not substantive. The Senate Report states, "It should be emphasized that the Committee's intent is to cause procedural simplification rather than substantive change." S. Rep. No. 97-87, 97th Cong. 1st Sess. 2 (1981). If Congress had any expectation that by streamlining the delivery of CDBG funds it was also rendering the URA inapplicable, it surely would not have made the reference in Section 5304(b)(4) to "other applicable laws."

In sum, there is no irreconciliable conflict between the URA and the new Small Cities program and there is every indication that Congress intended the on-going application of the URA to that program. To suggest otherwise is to thwart the very purpose of the URA to provide uniform, fair and equitable treatment to persons dis-
ed by federally assisted programs.

Question 2. One argument offered for considering the value of food stamps as income for purposes of determining eligibility for assisted housing and for determining the appropriate rent is best understood through example. The advocates of the administration's proposal ask why a working family whose sole income of $600 is derived from wages should have to pay more rent than a nonworking family whose income is derived from $450 in AFDC payments and food stamps worth $150.

What is your view of this issue?

Answer. The above question asked by those who advocate treatment of food stamps as income for housing subsidy purposes reflects an oversimplified approach to the issue. It focuses upon a claimed inequity which allegedly would arise if the plight of an ineligible working family is compared with the situation of an eligible AFDC family. The claimed inequity raised by the example does not arise because of numerous inaccuracies in the assumptions used to develop the example, as we explain below. In addition, this focus upon inequities that may arise between individuals with relatively high incomes just above and below the maximum income limits for food stamps does nothing but divert attention from the unfair burdens which treating food stamps as income will place upon the very poor who will be the vast majority of the people affected.

First, we will review the inaccuracies reflected in the example. The only working family with a monthly income of $600 that would be ineligible for food stamps would be a one-person household.[a] In no state could a one-person family get an AFDC grant of $450.[b] Thus, you cannot fairly compare a working family earning $600 which is ineligible for food stamps with an AFDC family getting $450 a month because there are no such two similarly situated families.

In addition, it is a rare AFDC family of any size which could receive a $450 grant. In the majority of the states the AFDC family would have to be a five-person household or larger to secure a $450 AFDC grant. When families of that size are compared to working families whose incomes are high enough to make them ineligible for food stamps, you will find that the working family is far ahead. For example, to be ineligible for food stamps, a working family of 5 would have to have an income of $1065. That income is far more than the AFDC family with a $450 grant and $150 of food stamp benefits.

Looking at the inaccuracies another way, no one-person family could ever receive $150 of food stamp benefits. To secure $150 of food stamp benefits, a family with $450 of cash income would have to be at least a 5-person family. However, to be ineligible for food stamps, the working family of five would have to have at least $1065 of income. Again, that family has an income about twice as large as a 5-person AFDC family with $617 from a $450 AFDC grant and $167 of food stamp benefits.

The calculations are as follows:

Steps described	Family of 4	Family of 5
Take cash income	$450.00	$450.00
Subtract standard deduction	−85.00	−85.00
Subtotal	365.00	365.00
Take 30 percent [1]	×.30	×.30
Result	109.50	109.50
Subtract result from Thrifty Food Plan amount [2]	233.00	277.00
	−109.50	−109.50
Food stamp benefits [3]	123.00	167.00

[1] This figure, $109.50, represents the amount of its income (30%) which USDA requires the family to spend on food before its needs for food stamp assistance can be determined.

[2] This figure represents the amounts which, according to USDA, families need to pay for their food. It varies depending upon family size. See 46 Fed. Reg. 27,902 (May 22, 1981).

[3] The food stamp benefits are thus the difference between the amount the family is supposed to pay for food (i.e., 30% of income) and the USDA determined cost of food for the family under the Thrifty Food Plan.

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[a] The maximum income limits for different family sizes are: 1—$467; 2—$617; 3—$766; 4—$916; 5—$1,065; 6—$1,215; 7—$1,364; 8—$1,514. 46 Fed. Reg. 44,712, 44,724 (Sept. 4, 1981).

[b] In most states, the one-person grant would be less than half of $450. In fact, none of the contiguous 48 states provides a $450 grant to a two-person family, in only 5 states would three-person households receive a $450 grant, and in only 13 states would a four-person household receive a $450 grant. *See* Report on AFDC Benefit Levels, prepared by Center on Social Welfare Policy and Law (February 10, 1982) (attached as Exhibit A).

One might notice a pattern arising from these examples, i.e., that the working family which is ineligible for food stamps always comes out far ahead of an AFDC family which is eligible for food stamps. The working family always comes out far ahead because the maximum income limits for food stamps are always much higher than the AFDC benefit levels. Whenever the AFDC grants and the food stamp benefits available to a family of a particular size are added together, the resulting figure is always well below the maximum income limits for that sized family in the food stamp program. Thus, any working family which had the same income would be eligible for food stamps too.

The more relevant comparison would be between working families right above and right below the food stamp eligibility limits. However, because food stamp benefits reduce as incomes rise and fall to zero at the eligibility limit, there is not even any inequity between people right above and right below the line. For example, a family of four with an income of $859 would be eligible for $1 worth of food stamps while a family of four with an income of $860 would receive no stamps.* Because it takes a three dollar reduction in income to produce a one dollar increase in food stamps, the gap between the income of an ineligible family and the combined food stamp benefits and cash income of eligible families will always widen as the eligible families' incomes get lower.

In summary, the claim of inequity is false for three reasons. First, under the food stamp program there cannot be two similarly situated families, one of which has a $600 income from work which is ineligible for food stamps and the second of which has a $450 AFDC grant and $150 of food stamp benefits. Second, because maximum income limits for food stamps are so much higher than benefit levels for AFDC, there will never be AFDC families whose grants and food stamp benefits equal the income of a working family which is ineligible for food stamps. Third, the design of the food stamp program, under which benefits reduce as income increases, ensures that there is not even any inequity between working families just above and below the maximum income limits.

The claim of inequity is not only false. It wrongfully diverts attention from the real inequities posed by the treatment of food stamps as income. Those inequities are the severe burden that would be imposed upon individuals at the bottom end of the income scale. When the Department of Agriculture studied the interrelationship of housing subsidies and food stamps in 1981, it discovered a number of very revealing facts. *See* Food & Nutrition Service, USDA, "Report to the Congress on the Impact of Including Housing Assistance as Income in Determining Food Stamp Eligibility and Benefits." First, most of the households who participate in both the food stamp and housing programs are extremely poor. Eighty-four percent of them have annual family incomes below $5,000 and 55% have annual incomes below $3,000. *Id.* at Tables 2 and 6. AFDC mothers and children in the South, where AFDC grants are unusually low and food stamp benefits particularly high, would suffer disastrously. The AFDC mother of two in Mississippi who receives $96 a month from AFDC would have her rent raised from about $25 to nearly $96 a month. Virtually her entire AFDC check would have to go for rent, and she would be left with little or no cash for clothing for her children, for transportation, for laundry, household operations, etc.

*This table illustrates the income levels of different sized families, living within the contiguous 48 states (1) who receive no food stamps because their incomes are just $1 too high; (2) who receive $1 of benefits because their incomes are just under the maximum level; and (3) who receive $2 of benefits because their incomes are slightly lower:

Family size	Lowest income which produces no benefit [1]	Highest income which produces $1 of benefit	Highest income which produces $2 of benefit
1	$317	$316	$313
2	510	509	506
3	694	693	689
4	860	859	856
5	1,007	1,006	1,003
6	1,190	1,189	1,186
7	1,307	1,306	1,303

[1] The figures in this column are beneath the maximum income limits for eligibility because these calculations assume no deductions for excess shelter costs or for child care expenses Families with higher gross incomes who did have such deductions could be eligible, as long as their gross incomes did not exceed the maximum income limit for eligibility

The true inequities of this proposal can be expressed no more dramatically than HUD's Assistant Secretary for Policy Development and Research, E.S. Savas, stated in a recent memo. We need only quote three revealing sentences:

"Counting food stamps as income most severely affects the lowest income, those with the largest families and those who are living in areas where the value of food stamps is largely relative to the level of AFDC benefits.

"Critics are already suggesting that in some Southern states HUD tenants will have to pay part of their rent with food stamps.

"Proposals to count food stamps as income under AFDC programs as well as other program changes could have unintended and, from the point of view of the households affected, disastrous consequences unless a greater degree of federal oversight is exercised at this time."

E.S. Savas, "Tenant Impacts of Recent Policy Changes" (Feb. 24, 1982) (Exhibit C).

We are pleased to finally see from a HUD official an awakening to the real consequences of the ill-considered proposals to treat food stamps and housing subsidies as income, which the Administration has suggested. We feel certain that this Committee will not make the mistakes that the Administration has made on these issues, by acting without analyzing the unintended consequences.

(EXHIBIT A)

REPORT ON AFDC BENEFIT LEVELS

PREPARED BY

CENTER ON SOCIAL WELFARE POLICY AND LAW
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TABLE OF CONTENTS

February 10, 1982

SUMMARY OF REPORT ON AFDC BENEFIT LEVELS

INTRODUCTION

This booklet contains three tables that provide basic information about AFDC benefit levels, preceeded by a brief explanation of needs standards and benefit levels and of the information provided in the tables.

The information provided in the tables is for the most part based on information provided by over 100 local advocates in response to a questionnaire we sent out in December 1981. For those few states from which we did not receive a response, we relied on data contained in the State AFDC Plans maintained by the Office of Family Assistance, Social Security Administration, Department of Health and Human Services. We want to thank all those who made the preparation of these tables possible by taking the time to respond to our questionnaire. We would also like to thank Robert Greenstein of the Center on Budget and Policy Priorities, Washington, D.C., who provided the food stamp figures used in the table of Current AFDC and Food Stamp Benefit Levels.

EXPLANATION AND SUMMARY OF BENEFIT LEVEL TABLES

The purpose of this booklet is to provide up to date information on the amount of cash assistance provided nationwide to meet the basic needs of poor children and their families. While some poor families who qualify for AFDC also receive low-income energy assistance and/or housing assistance, most of the food, clothing, shelter, and other daily living needs of poor children must be met out of the combined AFDC and food stamp benefits available to them.

As shown in the tables, combined AFDC/food stamp benefit levels in all states but Alaska fall short of even the meager poverty level, and they are less than 76% of the poverty level in 26 of the 50 states. Only California, Hawaii, Minnesota, New York, Vermont, and Wisconsin provide AFDC benefits which bring the combined AFDC/Food Stamp benefit level to 90% or more of the poverty level. In addition, in 26 states and Puerto Rico, the AFDC benefit level does not even meet the state needs standard, the state's own definition of the minimum required for subsistence living.

Twenty-one of the 50 states provide AFDC benefits of less than $300 a month to a family of three with no income. In the 48 contiguous states such benefits range from lows of $96.00 a month in Mississippi and $118.00 a month in Texas and Alabama to highs of $506.00 a month in California and $478.00 a month in Vermont. Thirty-three states plus Guam and the Virgin Islands provide a benefit between $200 and $400 a month.

The gap between benefits and the poverty level has grown significantly wider since 1975, since benefit levels have almost uniformly failed to keep pace with cost-of-living increases. During this period the official poverty level increased by approximately 67% while the Consumer Price Index rose 73.4%. Only 5 states and Puerto Rico increased benefit levels for families of three at a rate close to or above these rates of increase — California 72.7%, Maine 71%, Mississippi 100%, Missouri 106.6%, Nebraska 66.6%, Puerto Rico 109.3%. Thirty-three states increased benefits by less than 40% and Texas, the state with the second lowest benefit level for a family of 3, increased benefits by less than 2%. During this period benefit levels in two states, Arkansas and Oregon, decreased below 1975 levels, and in four states, Idaho, Michigan, Nevada and Washington, benefits, although still above 1975 levels, decreased in the last 2 years. Cost-of-living increases in food stamps up to January 1981 helped to fill some of this ever-widening gap but they did not fully compensate for the real dollar loss since 1975.

The information provided in the table on Current AFDC and Food Stamp Benefit Levels relates to benefits for families of three and four and the other two tables are based on the AFDC benefit levels for families of three only. Since benefits vary by family size and the per person allowance is not the same in each size unit, benefit levels can only be depicted in relationship to a particular family size. We have focused on benefits for a family of three because most AFDC families now consist of only two or three people. Accordingly, the family of three is now more representative of the average or typical AFDC family and data relating to this size family is more indicative of the aid available, state effort, etc.

The AFDC needs standards listed in the tables apply to families with and without income. A family is not eligible for any benefit unless its gross monthly income is less than 151% of the needs standard and its countable income is below the needs standard. (In 30 states, a family is not eligible for medicaid unless it is eligible for AFDC.) The figures shown

20

as the AFDC benefit levels are the benefits available to families with no other income, that is, the amount actually paid to a family that has no other countable income. In any one month, approximately 80% of the families receiving AFDC do not have any other countable income. In all states but Mississippi a family with income would receive less than the benefit level listed. (For further information on how these benefit levels relate to families with income see the footnotes to the table on Current AFDC and Food Stamp Benefit Levels.)

In almost all states, food stamps, housing assistance and energy assistance are not counted as income in determining AFDC eligibility and benefits. However, the AFDC benefits a family receives are counted as income to it in determining its eligibility for aid under these other programs.

For the most part the information contained in the following tables is self explanatory. However, there are two types of notations made in the first table which might need some clarification. First, under each state listing in the table on Current AFDC and Food Stamp Benefit Levels we have listed a date. This is the date when the state last made a change in its AFDC needs standards and/or benefit levels. Some states make adjustments in needs standards and benefit levels independent of each other. The date indicated on the table therefore does not necessarily mean that the amount paid to recipients was changed on that date but only that some change became effective at that time. For example, in the case of Louisiana, the 1/1/82 date on the table reflects the fact that Louisiana began using new needs standards on that date, but the benefit levels noted on the table were in effect for some period of time prior to 1/1/82.

Second, the table also provides information about states which vary standards not only by family size but also based on whether or not adults are included in the assistance unit. Some of these states use three separate standards — one for an assistance unit consisting only of children, one for a unit with one adult plus children and a third standard for units that include two adults — while others of these states only distinguish between units that consist only of children and units that include adults. Where we had information indicating that a state did have variations based on the presence of adults in the units, we included information for each type unit.

Barbara Leyser

BL/AMB

CURRENT AFDC AND FOOD STAMP BENEFIT LEVELS FOR FAMILIES OF THREE AND FOUR WITH NO OTHER INCOME

Prepared by the Center on Social Welfare Policy and Law

February 10, 1982

State	FAMILY OF THREE: AFDC Needs Standard a	FAMILY OF THREE: AFDC Benefit Level b	FAMILY OF THREE: FOOD STAMPS Benefit Level c	FAMILY OF THREE: COMBINED AFDC/FOOD STAMP BENEFITS Federal Share d	FAMILY OF THREE: COMBINED AFDC/FOOD STAMP BENEFITS % of Poverty e	FAMILY OF FOUR: AFDC Needs Standard a	FAMILY OF FOUR: AFDC Benefit Level b	FAMILY OF FOUR: FOOD STAMPS Benefit Level c	FAMILY OF FOUR: COMBINED AFDC/FOOD STAMP BENEFITS Federal Share d	FAMILY OF FOUR: COMBINED AFDC/FOOD STAMP BENEFITS % of Poverty e
† Alabama 10/1/81	$384.00	$118.00	$183.00	88.68%	51.10%	$480.00	$148.00	$231.00	88.73%	53.84%
• Alaska 7/1/81										
a) child only	508.00	508.00				571.00	571.00			
b) w/adult(s)	571.00	571.00	172.00	61.57	100.68	634.00	634.00	229.00	63.27	97.96
† Arizona **, # 7/1/80	233.00	202.00	164.00	65.78	62.14	282.00	244.00	202.00	66.08	63.35
† Arkansas 10/1/81	234.00	122.00	183.00	88.86	51.78	273.00	142.00	232.00	89.43	53.13
• California ** 7/1/81	506.00	506.00	73.00	56.30	98.30	601.00	601.00	95.00	56.82	98.86
† Colorado 12/1/81										
a) child only	333.00	274.00				442.00	364.00			
b) 1 adult	380.00	313.00	131.00	66.36	75.38	460.00	379.00	161.00	66.51	76.70
c) 2 adults	396.00	326.00	127.00	65.66	76.91	481.00	396.00	156.00	65.77	78.41
• Connecticut * 7/1/81	$426.64	$426.64	$97.00	59.26%	88.90%	$500.99	$500.99	$125.00	59.98%	88.92%
• Delaware 10/1/79	266.00	266.00	145.00	67.64	69.78	312.00	312.00	181.00	68.36	70.03
† D.C. 7/1/82	588.00	299.93	135.00	65.52	73.84	719.00	366.17	165.00	65.53	70.03
• Florida **, $ 7/1/82	209.00	209.00	162.00	76.29	62.99	246.00	246.00	201.00	76.84	63.49
† Georgia 10/1/81	366.00	183.00	170.00	82.52	59.93	432.00	216.00	210.00	82.90	60.51
• Hawaii ** 7/1/78	468.00	468.00	162.00	62.86	92.92	546.00	546.00	217.00	64.22	94.20

Current AFDC and Food Stamp Benefit Levels, page 2

	FAMILY OF THREE					FAMILY OF FOUR				
	AFDC		FOOD STAMPS	COMBINED AFDC/FOOD STAMP BENEFITS		AFDC		FOOD STAMPS	COMBINED AFDC/FOOD STAMP BENEFITS	
State	Needs Standard [a]	Benefit Level [b]	Benefit Level [c]	Federal Share [d]	% of Poverty [e]	Needs Standard [a]	Benefit Level [b]	Benefit Level [c]	Federal Share [d]	% of Poverty [e]
† Idaho **, [1] 7/1/81	$570.00	$313.50	$131.00	75.62%	75.47%	$641.00	$352.55	$169.00	76.63%	74.08%
† Illinois * 10/1/81										
a) child only	373.00	225.00				469.00	288.00			
b) w/adult	486.00	302.00	134.00	65.37	74.02	593.00	368.00	164.00	65.41	75.57
†† Indiana ** 1/1/80	307.45	255.00	148.00	72.62	68.42	363.20	315.00	180.00	72.46	70.31
• Iowa 7/1/79	360.00	360.00	117.00	66.44	80.98	419.00	419.00	144.00	66.77	79.97
• Kansas * 7/1/81	328.00	328.00	127.00	65.76	77.25	374.00	374.00	163.00	67.42	76.28
•• Kentucky 7/1/80	188.00	188.00	169.00	83.12	60.61	235.00	235.00	204.00	82.84	62.36
† Louisiana * 1/1/82	$505.00	$190.00	$168.00	82.41%	60.78%	$620.00	$234.00	$205.00	82.33%	62.36%
‡ Maine 7/1/81										
a) child only	327.00	237.00				433.00	314.00			
b) w/adult	415.00	301.00	135.00	79.72	74.02	522.00	378.00	162.00	79.44	76.70
Maryland										
• 7/1/80	270.00	270.00	144.00	67.39	70.29	326.00	326.00	177.00	67.59	71.49
1/1/82-7/1/82	373.00	270.00	144.00	67.39	70.29	450.00	326.00	177.00	67.59	71.49
ssachusetts [2] /80	379.20	379.20	111.00	64.08	83.23	444.50	444.50	141.00	64.74	83.17
higan *, ** 11/81	432.00	395.00	106.00	60.58	85.06	538.00	492.00	127.00	60.26	87.93
nnesota /81										
child only	362.00	362.00				426.00	426.00			
1 adult	446.00	446.00	85.00	61.69	90.15	520.00	520.00	119.00	62.88	90.77
2 adults	431.00	431.00	96.00	62.70	89.47	509.00	509.00	122.00	63.21	89.63
ississippi 10/1/78	220.00	96.00	183.00	92.21	47.37	252.00	120.00	233.00	92.30	50.14

Current AFDC and Food Stamp Benefit Levels, page 3

† Missouri										
7/1/80	$312.00	$248.00	$151.00	75.37%	67.74%	$365.00	$290.00	$188.00	75.96%	67.90%
• Montana **										
1/1/82										
a) child only	140.00	140.00				185.00	185.00			
b) w/adult(s)	306.00	306.00	133.00	75.84	74.53	392.00	392.00	157.00	75.25	77.98
• Nebraska										
6/1/81	350.00	350.00	120.00	68.81	79.80	420.00	420.00	149.00	69.09	80.82
† Nevada										
7/1/81										
a) child only	168.00	142.00				224.00	189.00			
b) w/adult(s)	285.00	241.00	153.00	69.42	66.89	341.00	288.00	189.00	69.81	67.76
• New Hampshire **										
6/1/79	346.00	346.00	121.00	69.93	79.29	392.00	392.00	157.00	71.02	77.98
• New Jersey										
7/1/80	360.00	360.00	117.00	62.26	80.98	414.00	414.00	151.00	63.36	80.26
• New Mexico 2										
7/1/81	$248.00	$248.00	$151.00	79.61%	67.74%	$281.00	$281.00	$191.00	80.47%	67.05%
• New York *,**,3										
7/1/81	424.00	424.00	107.00	60.78	90.15	514.70	514.70	132.00	60.91	91.86
† N. Carolina										
10/1/81	384.00	192.00	167.00	82.78	60.95	420.00	210.00	212.00	83.98	59.94
• North Dakota										
11/1/81										
a) child only	255.00	255.00				315.00	315.00			
b) w/adult(s)	357.00	357.00	118.00	71.52	80.65	496.00	496.00	126.00	69.79	88.35
† Ohio										
6/1/81	431.00	263.00	146.00	71.13	69.44	515.00	327.00	177.00	70.87	71.59
•• Oklahoma										
7/1/79										
a) child only	234.00	234.00				301.00	301.00			
b) w/adults	282.00	282.00	140.00	73.21	71.65	349.00	349.00	170.00	73.04	73.72
• Oregon **,3,5										
7/1/81										
a) child only	$180.73	$180.73	$	%	%	$240.88	$240.88	$	%	%
b) 1 adult	320.59	320.59	175.00	69.47	84.14	375.79	375.79	213.00	69.88	83.63
c) 2 adults	344.40	344.40	168.00	68.28	86.99	390.24	390.24	208.00	69.22	84.98
• Pennsylvania *										
1/1/80	318.00	318.00	130.00	69.32	78.06	382.00	382.00	160.00	69.54	76.99
• Rhode Island 3										
7/1/81										
a) April-Nov.	367.27	367.27	115.00	67.84	81.88	420.05	420.05	149.00	68.83	80.83
b) Dec.-March	452.67	452.67	115.00	66.33	96.38	517.76	517.76	149.00	67.21	94.71

Current AFDC and Food Stamp Benefit Levels, page 4

State	FAMILY OF THREE: AFDC Needs Standard [a]	FAMILY OF THREE: AFDC Benefit Level [b]	FAMILY OF THREE: FOOD STAMPS Benefit Level [c]	FAMILY OF THREE: COMBINED AFDC/FOOD STAMP BENEFITS Federal Share [d]	FAMILY OF THREE: COMBINED AFDC/FOOD STAMP BENEFITS % of Poverty [e]	FAMILY OF FOUR: AFDC Needs Standard [a]	FAMILY OF FOUR: AFDC Benefit Level [b]	FAMILY OF FOUR: FOOD STAMPS Benefit Level [c]	FAMILY OF FOUR: COMBINED AFDC/FOOD STAMP BENEFITS Federal Share [d]	FAMILY OF FOUR: COMBINED AFDC/FOOD STAMP BENEFITS % of Poverty [e]
‡ S. Carolina 10/1/81	$187.00	$132.77	$183.00	87.71%	53.61%	$229.00	$162.59	$226.00	87.77%	55.20%
• South Dakota ** 7/1/81	321.00	321.00	129.00	77.31	76.40	361.00	361.00	167.00	78.25	75.00
†† Tennessee 1978	179.00	122.00	183.00	87.41	51.78	217.00	148.00	231.00	87.71	53.84
†† Texas 2, 6 6/1/81	168.00	118.00	183.00	87.14	51.10	201.00	141.00	233.00	87.63	53.13
† Utah 7/1/81	536.00	367.00	115.00	76.12	81.83	640.00	438.00	144.00	76.40	82.67
† Vermont *,** 7/1/81	691.00	477.00	82.00	73.20	94.91	782.00	540.00	113.00	74.03	92.76
†† Virginia * 7/1/80	$283.00	$255.00	$148.00	72.63%	68.42%	$339.00	$305.00	$183.00	72.96%	69.32%
†† Washington *,3,5 12/1/81										
a) Area 1	458.00	440.00	123.00	60.92	95.59	536.00	515.00	152.00	61.39	94.74
b) Area 2	425.00	408.00	133.00	62.29	91.85	503.00	483.00	162.00	62.56	91.62
†† West Virginia 2 2/1/77	275.00	206.00	163.00	82.11	62.65	332.00	249.00	200.00	82.23	63.78
† Wisconsin *,5 8/1/81	556.00	473.00	83.00	64.29	94.40	662.00	563.00	106.00	64.67	95.03
• Wyoming ** 12/1/79	315.00	315.00	130.00	64.61	75.55	340.00	340.00	173.00	66.86	72.87
• Guam ** 7/1/80	$255.00	$255.00	$230.00	86.86%	71.53%	$300.00	$300.00	$298.00	87.46%	73.83%
† Puerto Rico 4 11/1/81	180.00	90.00	162.00	91.07	42.78	228.00	114.00	202.00	90.98	44.89
• Virgin Is. 8/1/80	209.00	209.00	190.00	86.90	67.74	263.00	263.00	236.00	86.82	70.88

Footnotes

a The AFDC needs standard is the dollar amount used by the state to determine whether a family of a given size is financially eligible for assistance.

b The AFDC benefit level is the payment that would be made to a family of the size indicated which had no countable income.

c The Food Stamp benefit level is the amount of the food stamp coupons that would be provided to a family that had no income other than the AFDC benefit shown in column 2, if there were no other individuals in the household and the family qualified for an excess shelter deduction of $55. This shelter deduction represents the average shelter deduction for all food stamp households in 1980, including those households that did not claim a shelter deduction. In the case of Puerto Rico, Guam, and the Virgin Islands no shelter deduction was factored in due to insufficient data on shelter costs and therefore the amounts shown may somewhat underestimate the actual food stamp benefit levels that would be available to these families. No food stamp benefits were computed for AFDC child only units since in most cases these units would be part of a larger household. The Food Stamp benefit figures were computed by the Center on Budget and Policy Priorities.

d The federal share of the Combined AFDC and Food Stamp Benefits is, for all states but Arizona and Texas, the percentage of the particular combined benefit amount that is currently paid for from federal funds rather than from state or local funds. This means, for example, that, in Alabama, the federal government pays for $266.93 out of the combined benefit of $301 (AFDC $118 + F.S. $183 = $301). (For Texas and Arizona, see note 6.) There is no percentage computation for child only units because there is no food stamp computation for this category.

e The % of poverty is the percentage of poverty level income that is provided by the Combined AFDC/Food Stamp Benefits. For the 48 contiguous states, D.C., Puerto Rico, and the Virgin Islands, the current official poverty level established by the Office of Management and Budget is $589 per month ($7070/year) for a non-farm family of 3 and $704 per month ($8450/year) for a non-farm family of 4. The figures for Alaska are $738 and $881 per month, respectively, and for Guam and Hawaii they are $678 and $810 per month, respectively. There are no poverty level computations for child only units since there are no food stamp computations for this category.

* Indicates those states that "pay full need" which means that the state bases the AFDC payment on the difference between countable income and the needs standard. In these states the benefit level is the needs standard.

** Indicates those states that "pay full need" but have a maximum needs standard.

Kentucky - needs standards for families of 7 or more is $345

Oklahoma - needs standards for families of 9 or more is $629

† Indicates those states which base the AFDC payment on the difference between countable income and a reduced payment level, i.e., a payment level which is less than the needs standard. In these states the figure shown as the benefit level is the reduced payment level.

†† Indicates those states which base the AFDC payment on either a) the difference between countable income and a reduced payment level or b) the family maximum, whichever is lower. In these states, except for Indiana, the maximum does not affect payments for families of 3 and 4 and therefore the figure shown as the benefit level is the reduced payment level.

Indiana - maximum varies by family size (for families of 3 $255 and for 4 $315)

Tennessee - maximum $220 (benefit levels for families of 7 or less are less than the maximum)

Texas - maximum $300 (benefit levels for families of 11 or less are less than the maximum)

Virginia - maximum varies by geographic region ($381 for region used here - benefit levels for families of 5 or less are less than the maximum)

Washington - maximum $859 (benefit levels for families of 7 or less are less than maximum)

W. Virginia - maximum $254 (benefit levels for families of 4 or less are less than the maximum)

‡ Indicates those states which determine the AFDC payment by subtracting countable income from the needs standard and paying a percent of the deficit or, in the case of Mississippi, paying the lesser of a percent of the deficit or a maximum amount. With the exception of Mississippi the amount shown as the benefit level is the amount that results from applying the percentage to the needs standard.

Maine - 72.5% of deficit

Michigan - 91.5% of deficit

Mississippi - 75% of deficit or, if less, maximum which varies by family size ($96 for family of 3, $120 for family of 4)

So. Carolina - 71% of deficit

* Indicates those states hat use different AFDC needs standards and benefit levels for different parts of the state. Amounts appearing in the table reflect those that apply in the area which covers the largest number of AFDC families in the state. As explained below, these amounts are not necessarily the highest standards and benefit levels in the state.

Connecticut - has 3 different area shelter standards, amounts shown reflect the middle cost shelter standard

Illinois - has 3 different area needs standards, amounts shown reflect those for the highest cost area which includes Chicago

Kansas - has 5 different area shelter standards, amounts shown reflect the second highest shelter standard

Louisiana - has 2 different area needs standards -- one for urban areas and one for rural areas, amounts shown are the higher urban standards

Michigan - has 6 different area shelter standards and 2 different area utility/heating fuel standards, amounts shown reflect the shelte maximums and utility/heating fuel standards applied in the fourth highest cost area which nc udes Detroit

New York - has a separate shelter standard for each of 58 counties, amounts shown reflect the shelter maximums in New York City wh ch one of the higher shelter standard areas in the state

Pennsylvania - has 4 different area needs standards, amounts shown reflect those for one of the two middle range areas

Vermont - has 2 different area shelter standards, amounts shown reflect the lower shelter maximum which applies in all but one county of the state

Virginia - has 3 different area needs standards, amounts shown are those for the middle cost area

Washington - has 2 different area needs standards, both sets of figures are shown because Area I covers 55% of AFDC families in the state and Area II covers 45%

Wisconsin - has 2 different area needs standards, amounts shown are those for the higher cost area

** Indicates states that provide less than benefits listed if the family has shelter costsbelow maximums.

Arizona - uses lower standards if family has no shelter costs (the lower standard are $183 for family of 3 and $220 for family of 4, and the lower benefit levels are $158 for family of 3 and $190 for family of 4)

California - shelter and ut ty components of standards are assigned dollar values which are deducted from the benefit level only if family has no shelter or utility costs (these values are $163 for shelter and $28 for utilities for a family of 3 and $179 and $29 respectively for a family of 4)

Florida - uses lower standards if family has no shelter costs ($129 for family of 3 and $164 for family of 4)

Guam - amounts isted include maximums for shelter and utilities ($75 and $15 respectively, regardless of amily size) amount used to determine payment includes these maximums or, if less, actual costs

Hawaii - amounts listed include maximum llowances for shelter ($240 for families of 3 and $265 for families of 4), amount used to determine payment includes these maximums or, if less, actual shelter costs

Idaho - amounts listed for needs standards include maximum allowances for shelter ($142 for families of 3 and 4), amount used to determine payment based on the maximums or, if less, actual shelter costs

Indiana - amounts listed for needs standards include maximum allowances for shelter ($100 regardless of family size), amount used to determine payment based on maximums or, if less, actual shelter costs

Michigan - amounts listed for needs standards include maximum allowances for rental ($130 for family of 3 and $160 for family of 4) amoun used to determine payment is based on maximums or, if less, actual shelter costs

Montana - use lower tandards for a unit that includes an adult if the family has no shelter costs ($154 for family of 3 and $200 for family of four)

New Hampshire -amounts isted include a maximum al owance for shelter ($125 regardless of family size), amount used to determine payment includes this maximum allowance, or, if less, actual shelter costs

New York - amounts isted include maximum allowances for shelter ($194 for family of three and $218 for family of fou amoun used to determine payment include maximums or less, actual shelter costs

Oregon - she te component of standards assigned a dolla value which is fully deducted from the benefit level only if family has no shelter costs and partial y deducted if the family lives in subsidized housing or in shared housing and has actua shelte costs below the assigned value (these values are $54.22 and $72.26 for child only units of 3 and 4, 96 18 and $112.72 for units of 3 and 4 with one adult, and $103.32 and $117.07 for units of 3 and 4 with two adults)

South Dakota - amounts listed include maximum allowances for shelter and for utilities ($120 for shelter and $43 for utilities regardless of family size), amount used to determine payment is based on these maximum allowances, or, if less, actual shelter cost

Vermont - amounts sted for needs standards include a maximum allowance for shelter ($157 for all size fami ies) amount used to determine payment is based on the maximum allowance, or, if less, actual shelter costs

Wyoming - uses lower standards if family has no shelter costs 30 for family of 3 and $270 for family of 4)

1 The needs standards and benefit levels vary based on composition of family and age of children; amounts shown for family of 3 assume one adult, one child age 6-13, and one child over 13, and amounts shown for family of 4 assume one adult, one child under 6, and two children ages 6-13.

2 Indicates those states that pay once-a-year supplement above benefit levels.

Massachusetts - clothing allowance of $50 per child

New Mexico - clothing allowance for school age children of $41 per child

Texas - payment of $110 per child

W. Virginia - school clothing allowance of $50 for each child age 5 and older

3 Indicates that standards listed include a specific allowance for increased energy costs provided by such states in their AFDC grants. Such allowances are not counted as income in determining the family's food stamp allotment.

New York - statewide allowance for home energy needs (for families of 3 $30 and for families of 4 $38.70)

Oregon - statewide allowance for home energy needs with different amounts for child only units and units with an adult (for families of 3 with adult(s) $155.59, child only $87.71, and for families of 4 with adult(s) $167.79, child only $107.51)

Rhode Island - statewide allowance for home energy needs in the winter months (December - March), (amount is the difference between standards for winter and non-winter months)

Washington - statewide allowance for home energy needs (for families of 3 $100 and for families of 4 $106)

4 The amounts listed assume an allowance of $20 for shelter in the needs standards, assumption based on the fact that the amount allowed for shelter in the needs standard for a family equals the family's actual costs and $20 is the average amount which has actually been allowed for families of three and four.

5 Indicates states where amounts listed are affected by recent court decisions.

Florida - State court held state had not met state law requiring updating of needs standards and therefore enjoined the state from applying the 150% cap on eligibility. The state has appealed.

Oregon - United States District Court enjoined use of the child only standard on the ground that it unlawfully assumed that children's shelter costs were being met by non-AFDC adults in the household but the order was stayed pending appeal

Washington - Amounts shown are in effect pursuant to a court order which invalidated lower standard adopted by the state and the state is appealing that order. Since entry of the order, the state legislature in mid-December passed legislation, which has not yet been implemented, that establishes needs standards that are higher than the amount shown but authorizes the welfare department to base payments upon a reduced standard if it so chooses.

Wisconsin - State had been using a separate child only standard but this standard was declared invalid by a United States District Court.

6 Indicates that amounts indicated as federal percentage of combined AFDC/Food Stamp benefits may not reflect current matching rates. Because these states claim AFDC matching under the basic "403" formula rather than the alternate "1118" formula, the actual percentage of total payments cannot be determined until after the expenditure period. The percentages listed for these states reflect the federal share of AFDC payments for fiscal 1980, the last year for which information is available.

Arizona - not permitted to use the "1118" formula because it does not have a medicaid program; federal funds paid 38% of AFDC expenditures for fiscal 1982, while percentage under "1118" would have been 61.4%

Texas - receives a higher share under "403" than would receive under "1118" because its benefits are low; federal funds paid 67.2% of AFDC expenditures for fiscal 1980 while "1118" percentage would have been 58.3%

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[illegible]

1.	Alaska	[illegible]	20.	[illegible]	[illegible]	35.	[illegible]	[illegible]
2.	California	[illegible]	21.	South Dakota	[illegible]		New Mexico	[illegible]
3.	Vermont	[illegible]	22.	Oregon	[illegible]	35.	Nevada	[illegible]
4.	Wisconsin	473.00	21.	Pennsylvania	[illegible]	36.	Florida	[illegible]
5.	Hawaii	468.00	22.	Wyoming	[illegible]		Virgin Islands	209.00
6.	Minnesota	446.00	23.	Idaho	[illegible]	37.	West Virginia	206.00
7.	Washington	440.00	24.	Colorado	313.00	38.	Arizona	202.00
8.	Connecticut	426.64	25.	Montana	306.00	39.	North Carolina	192.00
9.	New York	424.00	26.	Illinois	302.00	40.	Louisiana	190.00
10.	Rhode Island [1]	395.74	27.	Maine	301.00	41.	Kentucky	188.00
11.	Michigan	395.00	28.	District of Columbia	299.93	42.	Georgia	183.00
12.	Massachusetts	379.20	29.	Oklahoma	282.00	43.	South Carolina	132.77
13.	Utah	367.00	30.	Maryland	270.00	44.	Arkansas	122.00
14.	Iowa	360.00	31.	Delaware	266.00		Tennessee	122.00
	New Jersey	360.00	32.	Ohio	263.00	45.	Alabama	118.00
15.	North Dakota	357.00	33.	Guam	255.00		Texas	118.00
16.	Nebraska	350.00		Indiana	255.00	46.	Mississippi	96.00
17.	New Hampshire	346.00		Virginia	255.00	47.	Puerto Rico [2]	90.00

* For those states that vary benefit levels by region, we have used the amount for the region with the largest number of AFDC families which is not necessarily the region with the highest benefit level in the state. For states that vary benefit levels by composition of the assistance unit, we have used the benefit levels that apply to assistance units that include one adult.

1 Figure shown arrived at by adding together the benefit levels used for winter and non-winter months and then dividing this annual total by 12 to get a more representative monthly figure for comparison purposes.

2 Figure shown assumes a shelter standard of $20.

COMPARISON OF CURRENT AFDC BENEFIT LEVELS FOR A FAMILY OF THREE WITH NO OTHER INCOME TO JULY 1975 BENEFIT LEVELS *

Prepared by the Center on Social Welfare Policy and Law

February 10, 1982

	State	Current Benefit Levels [a]	July '75 Levels [b]	$ Change	% Change [c]
	Alabama	$118.00	$108.00	$ 10.00	9.26%
	Alaska	571.00	350.00	221.00	63.14
	Arizona	202.00	163.00	39.00	23.94
–	Arkansas	122.00	125.00	-3.00	-2.40
	California	506.00	293.00	213.00	72.70
	Colorado	313.00	217.00	96.00	44.24
	Connecticut	$426.64	$296.00	$130.24	44.00%
	Delaware	266.00	221.00	45.00	20.36
	D.C.	299.93	243.00	56.93	23.43
	Florida	209.00	144.00	65.00	45.14
	Georgia	183.00	123.00	60.00	48.78
	Guam	255.00	'75 figures not available		
	Hawaii	468.00	428.00	40.00	9.35
†	Idaho	$313.15	$300.00	$ 13.15	4.38%
	Illinois	302.00	261.00	41.00	15.71
	Indiana	255.00	200.00	55.00	27.50
	Iowa	360.00	294.00	66.00	22.45
	Kansas	328.00	263.00	65.00	24.71
	Kentucky	188.00	185.00	3.00	1.62
	Louisiana	190.00	128.00	62.00	48.44
	Maine	$301.00	$176.00	$125.00	71.02%
	Maryland	270.00	200.00	70.00	35.00
	Massachusetts	379.20	259.00	120.20	46.41
†	Michigan	395.00	333.00	62.00	18.62
	Minnesota	446.00	330.00	116.00	35.15
	Mississippi	96.00	48.00	48.00	100.00
	Missouri	248.00	120.00	128.00	106.67

	State	Current Benefit Levels [a]	July '75 Levels [b]	$ Change	% Change [c]
	Montana	$306.00	$201.00	$105.00	52.24%
	Nebraska	350.00	210.00	140.00	66.67
†	Nevada	241.00	195.00	46.00	23.59
	New Hampshire	346.00	308.00	38.00	12.34
	New Jersey	360.00	310.00	50.00	16.13
	New Mexico	248.00	169.00	79.00	46.75
	New York	$424.00	$394.00	$ 30.00	7.61%
	North Carolina	192.00	183.00	9.00	4.92
	North Dakota	357.00	283.00	74.00	26.15
	Ohio	263.00	204.00	59.00	28.92
	Oklahoma	282.00	217.00	65.00	29.95
–	Oregon	320.59	337.00	-16.41	-4.87
	Pennsylvania	318.00	296.00	22.00	7.43
	Puerto Rico	$ 90.00 [1]	$ 43.00 [1]	$ 47.00	109.30%
	Rhode Island	395.74 [2]	278.00	117.74	42.35
	South Carolina	132.77	96.00	36.77	38.30
	South Dakota	321.00	289.00	32.00	11.07
	Tennessee	122.00	115.00	7.00	6.09
	Texas	118.00	116.00	2.00	1.72
	Utah	367.00	252.00	115.00	45.63
	Vermont	$477.00	$306.40	$170.60	55.68%
	Virginia	255.00	245.00	10.00	4.08
	Virgin Islands	209.00	131.00	78.00	59.54
†	Washington	440.00	315.00	125.00	39.68
	West Virginia	206.00	206.00	0.00	0.00
	Wisconsin	473.00	342.00	131.00	38.30
	Wyoming	315.00	235.00	80.00	34.04

* For those states that vary benefit levels by region, the amount listed is for the region with the largest number of AFDC families. For states that vary benefit levels by composition of the assistance unit, we have used the benefit levels that apply to assistance units that include one adult.

a Source: "Current AFDC and Food Stamp Benefit Levels ... "; February 10, 1982; Center on Social Welfare Policy and Law.

b Source: "Aid to Families With Dependent Children: Standards for Basic Needs; ... July 1975"; Table 3; DHEW Pub. No. (SRS) 76-03205; NCSS Report D-2 (7/75).

c Indicates the percentage change in benefit level amounts from July 1975 to the present. During this same period the Consumer Price Index rose by 73.4%.

– Indicates a state in which the current AFDC benefit level is less than the benefit level that was in effect in July 1975.

† Indicates a state in which the current AFDC benefit level is lower than it had been at some point within the last two years.

1 Assumes a shelter standard of $20.

2 One-twelfth of the annual benefit derived from combining benefit levels used for winter and non-winter months.

(EXHIBIT K)

January 1982

Sixth Edition

FRAC'S GUIDE TO THE FOOD STAMP PROGRAM

FRAC thanks Edward Koren for his cover drawing.

ABOUT FRAC . . .

The Food Research and Action Center (FRAC) was organized in 1970 as a nonprofit law firm and advocacy center working with the poor and near poor to alleviate hunger and malnutrition in the United States. FRAC works primarily with the Federal food programs—the food stamp, school lunch and breakfast, elderly nutrition, child care food, summer food, and women, infants and children (WIC) programs—as vehicles for addressing this nation's hunger problems. However, FRAC's premise in its work is that the Federal food programs cannot solve the problems of this nation's poor; hunger and malnutrition are caused primarily by a lack of income, and are tragic symptoms of the maldistribution of economic resources in this country.

Therefore, in the 1980's FRAC will be engaged in efforts to help groups around the country work with the food programs, not only to meet the immediate needs of America's hungry, but also as an organizing tool for poor people and their allies in the larger effort at creating meaningful social change. This work will focus on four areas:

- to represent the interests of the poor and near poor in the development and implementation of the federal food programs, and to protect their rights with litigation and legal support to local Legal Services offices and other legal advocacy groups;
- to help community groups and coalitions work to improve the food programs through local organizing and advocacy efforts, and to promote the development of organization among recipients and their friends to tackle food and other poverty-related issues;
- to develop written materials to help people understand the food programs, to undertake training of community advocates working with the programs; and
- to help people understand national and state legislative issues raised by the food programs and related issues so they can express their views and have some impact on the legislation.

FRAC is funded by a combination of grants from private foundations, religious organizations and Legal Services Corporation. No federal funds were used for this publication.

FRAC

FOOD RESEARCH AND ACTION CENTER

HOW TO USE THIS BOOKLET

This booklet has been written for people who want to know how the Food Stamp Program (FSP) works. The information is laid out in numbered paragraphs. It is best to read these paragraphs in the order in which they appear, since some of the information towards the back of the booklet refers to things explained in earlier paragraphs.

To make it easier for you to use this booklet, we have provided three indexes at the back. Index 1 lists the information in this booklet in the order in which it appears, and is keyed to the Federal law. Index 2 lists the topics alphabetically. Index 3 explains the footnotes found throughout this booklet.

Please remember that this booklet *does not cover everything*. If you intend to work with the FSP on a regular basis, you must read the complete Federal regulations and your state's FSP manual.

Note: FRAC has a mailing list to whom we send FSP information and updates for this *Guide*. Details are on the back cover of the *Guide*.

In 1981 the Food Stamp Act was amended twice—once in the summer as part of the Omnibus Budget Reconciliation Act of 1981, and then in the winter as part of the 1981 Farm Bill. These actions resulted in changes in eligibility rules and program procedures. Regulations governing most of the changes in the Reconciliation Act have been published. However, states cannot implement provisions from the 1981 Farm Bill and the remaining provisions in Reconciliation until the U.S. Department of Agriculture (USDA) publishes final regulations. We have put a footnote before each part of this *Guide* affected by the 1981 changes in the law which are not effective yet because federal regulations have yet to be published. The footnotes are explained in Index 3. If you are dealing with a situation affected by one of these paragraphs, you should check the *Federal Register* or call FRAC for information on the current status of that provision.

The 1981 Farm Bill authorized the FSP for 1982 only. That means that the FSP's critics will once again be given the opportunity to attack the program in 1982 when Congress acts to reauthorize the FSP. Poor people and their advocates will once again be called upon to fight to save the FSP from further erosion.

Ultimately, however, what happens in Washington is only one part of the story. Equally important is what happens in communities all across the country as changes in the law are put into effect: how applicants are treated when they walk into a local FSP office, how the cases of individual recipients are handled, and how the local press reports on the FSP. Local support for the FSP is every bit as important to recipients as the actions taken by the Congress. That is where you can play a critical role.

FRAC believes that the FSP works best when poor people and their advocates know the law and work to make sure it is fairly carried out. This *Guide* will help you understand how the FSP is supposed to work. There are suggestions at the end of the booklet for actions you can take in your own community to protect individual's rights under the program, and how you can work to see that the law is being followed.

Bread and Justice,

The FRAC Staff

January 1982

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HIGHLIGHTS OF THE FOOD STAMP PROGRAM

APPLYING FOR THE FSP

Application forms for the FSP are available at all FSP offices. They can also be obtained by telephone. The FSP office must *immediately provide an application to anyone who requests one,* and must allow the application to be filed on the same day assistance is first requested. The application must be processed, an interview held, and benefits delivered within *30 days* after the date the application is filed.

Households in which everyone is elderly or disabled can be interviewed at home or by telephone. Other households that have difficulty getting to the FSP office because of illness, transportation problems, bad weather or work hours can also request that the requirement for a face-to-face interview at the FSP office be waived.

Households in which everyone is also applying for public assistance must be allowed to file one application, see one caseworker, and have one interview that covers both programs.

ELIGIBILITY REQUIREMENTS

Eligibility for the FSP is based on the income and resources of the household members. A **household** is a group of people living in the same house who buy and cook their food together. Children of any age living with their parents will always be treated as one household unless one of their parents is over 60 and purchases and cooks their meals separate from their children. In some cases there can be more than one household in the same house. Students and non-citizens can get food stamps if they meet special conditions.[1]

Resources are things you own. Households can have up to $1,500 in resources and still qualify (households with two or more people, one of whom is 60 or older, can have up to $3,000). The household's home, personal belongings, and household goods don't count as resources. The value of cars and trucks over $4,500 is counted as a resource unless they are used in work or are necessary for transportation of a disabled household member.

Income for the FSP is based on monthly income after certain deductions. Households can subtract: 18% of their income from work; an $85 standard deduction; dependent care expenses; and high shelter costs. The dependent care and shelter deductions, alone or combined, can't exceed $115 for most households. Households with members age 60 or over or who receive Social Security disability or SSI benefits will be able to deduct monthly medical expenses over $35, and will not have the $115 ceiling on the shelter deduction. The maximum monthly income that a household can have after deductions is based on the Office of Management and Budget Poverty Line.

BENEFITS

If a household is found eligible, it receives benefits beginning the day it applied. The amount of stamps it receives depends on its size and monthly income, but *there is no longer a charge for the stamps.*

CERTIFICATION PERIODS

Households will usually be certified for at least three months, but must reapply each time the certification period ends. The FSP office must send the household a notice reminding it that its *certification period* will end, and allow it to reapply with no interruption in benefits. Households must report changes in income or household circumstances that occur during the certification period. The FSP office supplies the report form.

FAIR HEARINGS

Households that disagree with *any* action taken by the FSP office always have the right to a *fair hearing,* at which they can present their side of the story and explain why the FSP office is wrong. *Fair hearing decisions must always follow Federal law,* and if a household wins the fair hearing, it will receive back benefits. The FSP office is also supposed to provide back benefits when it discovers it has made a mistake, or turned down a household that was eligible.

FRAUD

Fraud is when an FSP participant deliberately lies or cheats.[2] The FSP office cannot say someone is guilty of fraud unless they have held a special fraud hearing where they present their evidence and give the household the right to respond or a court has found a person guilty of fraud. If a person is found guilty of fraud at a fraud hearing, he or she (not the rest of the household) will be disqualified from the FSP for 3 months. A court will disqualify a person found guilty of fraud for 6 to 24 months.[3]

HOUSEHOLDS THAT RECEIVE MORE STAMPS THAN THEY SHOULD

Households that receive more stamps than they should—either because of a mistake or fraud—will be asked to repay them. Households only have to repay if a household member is found guilty of fraud.[4] The FSP office cannot take an eligible household off the FSP or reduce its benefits because it fails to pay back stamps it got because of a mistake, regardless of who caused it.

WORK REGISTRATION

Certain household members must register for work, actively look for work, and accept a job found by the Employment Service, if the job pays the minimum wage and meets certain other conditions. The work registration requirement also applies to people on strike. Some areas have implemented a workfare program. This means recipients must "work off" the value of their food stamps.

1. WHAT IS THE FOOD STAMP PROGRAM?

The **Food Stamp Program (FSP)** is a Federal program that helps low-income people buy more food and improve their diets. It is run by the states—usually by the state Welfare Department or Department of Social Services. A state does not have to join the FSP, but once it does, it must agree to make sure that the program is available in every part of the state, and is run according to the Federal rules. A state may run the entire FSP itself, or may allow city or county governments to operate it at the local level. In either case,

there must be enough staff for the FSP office to do all the things the law requires within the time limits described in this booklet.

The United States Department of Agriculture (USDA) pays all of the cost of the stamps themselves, and at least one-half of the cost of running the program. USDA also writes the rules for how the FSP must be run. The state takes USDA's rules and puts them into a state FSP manual. The rules in this manual *must be followed* by the state and local governments that run the FSP.

Whenever it says the **food stamp office** in this book, it means the agency that runs the FSP in your state and community.

2. WHAT ARE FOOD STAMPS?

Food stamps are coupons that can be used just like money to buy any **food** EXCEPT alcoholic beverages, tobacco or pet food. They can also be used to buy seeds and plants to grow food for your own use. In Alaska, they can be used to buy certain hunting and fishing equipment. You *cannot* use food stamps to buy soap, paper products or other non-food items.

The food stamp office cannot tell you which foods to buy with food stamps. Only you can decide how to spend your stamps.

3. WHERE CAN YOU USE FOOD STAMPS?

You can use food stamps at any store, supermarket or food co-op that accepts them (co-ops can accept the stamps first and deliver the food later). If you are getting home-delivered **meals-on-wheels**, you can use stamps to pay for these meals. If you are 60 or older, you and your husband or wife can use food stamps to pay for **group meals for the elderly** and, in some cases, to pay for meals in certain restaurants.

Stores that accept food stamps should treat their food stamp customers fairly and courteously.

4. WHO CAN GET FOOD STAMPS?

Food stamps are given to **households** A household is a person living alone, or a group of people living together (they *don't* have to be related) who *buy food and prepare meals together*. They do *not* have to have cooking facilities (a stove, hotplate, etc.).

Certain groups of people must meet special conditions in order to get food stamps. These special rules are explained at the back of the book.

- **Roomer:** someone who pays you to live in your house. (see paragraph 57);
- **Alien:** someone who is not a U.S. citizen (see paragraph 60);
- **Student:** someone 18 or older going to school at least half-time (see paragraph 61);
- **Striker:** someone on strike (see paragraph 62);
- **Drug addict** and **alcoholic:** someone living at a drug addiction or alcoholic treatment center (see paragraph 63);
- **Battered Women** in shelters (see paragraph 63).

5. CAN THERE BE MORE THAN ONE HOUSEHOLD IN THE SAME HOUSE?

Yes. If a person or group of people live with you but buy their own food and fix their own meals, they can be a separate household. They do *not* have to store their food separately, or use a different stove or refrigerator.

However, the following cannot be a separate household:

- children under 18 under the parental control of a household member;
- parents under 60 years of age living with their children;
- children of any age living with their parents who are under 60 years of age; or
- a spouse.

NOTE: If *one* parent (or both) is at least 60 years of age, the parents can apply as a separate household.'

6. CAN SSI AND PUBLIC ASSISTANCE RECIPIENTS GET FOOD STAMPS?

Yes. People who receive Supplemental Security Income (SSI), Aid to Families with Dependent Children (AFDC) and state or local general assistance (GA) can get food stamps *IF* they meet the eligibility rules that are explained in this booklet. SSI and AFDC applicants have a right to apply for the FSP when (and where) they apply for SSI or AFDC.

NOTE: SSI recipients in California and Wisconsin are not eligible for food stamps. They automatically receive the value of food stamps as part of their SSI grant.

7. WHAT ARE THE ELIGIBILITY REQUIREMENTS FOR THE FSP?

There are two basic requirements: **income** and **resources** cannot be too high. In addition, there is a **work requirement** that will apply to some households. (The work requirement is explained starting at paragraph 26).

8. WHAT IS THE DIFFERENCE BETWEEN INCOME AND RESOURCES?

Sometimes the difference between income and resources is not clear. Generally, **income** is money you receive or expect to receive on a regular basis, and a **resource** is money or property that you have.

IMPORTANT: The food stamp office must treat money as either income or a resource. It cannot count it as both.

9. WHAT ARE RESOURCES?

Resources are the things you own. (They are sometimes called assets.) This includes cash you have on hand or in the bank; stocks and bonds; money from insurance settlements; tax refunds; rebates; awards; prizes; and inheritances. Generally, things like boats, camping trailers, snowmobiles, and land you do not live on or rent out are counted as resources though there are exceptions which are explained below.

EXCLUDED RESOURCES

These things are *excluded* (do not count) as resources:

(a) your house and all the land it sits on.

(b) a vacant lot on which you plan to build a home (if you don't already own one).

(c) your personal belongings and household goods.

(d) burial lots.

(e) the cash value of life insurance policies and pension funds.

(f) income-producing property (like a house you rent out or land you farm).

(g) tools, equipment, livestock, buildings, and other things you use to make a living.

(h) resources that are not available to you (like money in a trust fund, non-excluded land you have not been able to sell, or Indian land held with the Tribe).

(i) the resources of people who are not members of your household. NOTE: the resources of a household member who has been *disqualified* from the FSP because of fraud (see paragraph 55) will continue to count.

(j) certain licensed vehicles (cars, tractors, etc.) used in work or worth less than $4,500 (see paragraph 12 for details), or specially equipped to transport a physically disabled household member.

Remember, anything that is not excluded is either a resource or income.

10. HOW MANY RESOURCES CAN YOU HAVE?

The amount of resources you can have and still get food stamps—called the **resource limit**—depends on who's in the household. The resource limits are:

- $1,500 for most households. It doesn't matter how many people are in the household.
- $3,000 for households with at least two members IF one of them is age 60 or older.

11. WHAT ABOUT RESOURCES YOU OWN WITH SOMEONE ELSE?

Resources you own with someone who is not a member of your household are called **jointly held resources.** The food stamp office will try to count their resources *unless* you can show that you cannot sell the resource or get your share without the permission of the other owner(s), and they refuse to give you this permission.

12. WHAT ABOUT AUTOMOBILES AND OTHER LICENSED VEHICLES?

There are special rules that apply to licensed vehicles (cars, trucks, motorcycles, boats, planes, etc.).[4]

Certain vehicles are totally excluded (don't count) as a resource. The vehicles that are excluded are those that:

(a) you use to make a living (a taxi or fishing boat, for example);
(b) you use for long-distance travel in order to work (like a traveling salesperson or a migrant family);
(c) you live in; or
(d) you use to transport a physically disabled household member if the vehicle is specially equipped to meet the needs of the disabled or is a special type of vehicle (e.g., a van) that makes it possible to transport a disabled person, although this need not be the vehicle's main use.

For vehicles that are not excluded there are two tests: **fair market value (FMV)** and **equity value (EV).**

FMV means what the vehicle is worth. To get the FMV, the food stamp office will use something called the **blue book,** which is a book used by car dealers to find the wholesale value of automobiles. The food stamp office *cannot* increase the FMV because a car has extra equipment or low mileage, nor can it add the value of two cars together to get an FMV. Each car must be valued separately. You always have the right to show that the FMV shown in the blue book is too high because the car is in bad condition.

EV means how much of the vehicle you own (the difference between the FMV and what you still owe on it).

Here's how to count the value of non-excluded vehicles:

FAIR MARKET VALUE (FMV)

Count the FMV in excess of $4,500 as a resource for:

- One car, regardless of use.
- Additional cars used to:
  - —get to and from work;
  - —look for work under the FSP's job search requirement;
  - —get to school or training that will prepare you for work.

EQUITY VALUE (EV)

Count the FMV in excess of $4,500 OR the EV, *whichever is greater,* for all other cars.

EXAMPLE

The Branchwaters are a family of six, including Uncle Bourbon, who is 78. They have four cars.

Car A (FMV $7,500/EV $4,000) is a taxi driven by Floria Branchwater. It is totally exempt because it is used to produce income.

Car B (FMV $3,300/EV $750) is used by Floria's husband Igor, who drives it to and from work. It's exempt from the FMV test because it's worth less than $4,500. It's exempt from the EV test because it's used to get to work.

Car C (FMV $5,100/EV $3,000) is a camper used on weekends. It is worth $600 [$5,100 - $4,500=$600]. It's exempt from the EV as the one car allowed each household, regardless of use.

Car D (FMV $900/EV $600) is a dune buggie driven by Uncle Bourbon. It's not exempt, so the food stamp office would count the greater of the FMV over $4,500 or the EV. Since the FMV is less than $4,500, the EV of $600 is used.

The food stamp office will consider the Branchwaters' cars to be worth $1,200 [Car C ($600) + Car D ($600) = $1,200]. Since Uncle Bourbon is over 60, they can have $3,000 in resources. Unless they have other counted resources worth more than $1,800, they will pass the FSP resource test.

13. WHAT HAPPENS IF YOU TRANSFER RESOURCES TO ANOTHER PERSON?

When you apply for the FSP, you will be asked whether you have "transferred" (gotten rid of) any resources in the last three months. If the answer is yes, the food stamp office may try to show that you got rid of the resource in order to qualify for the FSP. If they can prove this, you can be disqualified from the FSP for up to a year. The same thing can happen if you transfer a resource after you start participating in the FSP. Not all transfers count, however.

The transfer will not affect your eligibility if:

(a) the thing that was transferred does not count as a resource (a house, for example);

(b) the thing that was transferred counts as a resource, but was not worth enough, either by itself or when added to the household's other resources, to exceed the resource limit (giving away a bond worth $200 when the household's total counted resources are only $700, for example);

(c) the resource was sold or traded at fair market value;

(d) the resource was transferred to another household member; or

(e) the resource was transferred for a reason other than trying to qualify for the FSP (putting extra cash in a trust fund for a child, for example).

14. WHAT IS INCOME?

The FSP uses *monthly income* to determine eligibility and benefits. This means *all* income received or expected to be received each month by *all* household members from *all* sources. Not all income is counted, however.

THESE THINGS ARE EXCLUDED (NOT COUNTED) AS INCOME:

(a) any gain or benefit which is not in money (like free housing, child care or food);

(b) **vendor payments**—household expenses met by a non-household member (like an ex-husband or wife) who makes payment directly to a "third-party" (like a landlord or doctor) for expenses like rent or medical bills. *This rule does not apply* when arrangements have been made to withhold money that would normally go to the household;

(c) money earned by a child under 18 who is a student at least half-time;

(d) irregular income in small amounts (like money from odd jobs or occasional babysitting) as long as it does not add up to more than $30 in three months;

(e) all loans EXCEPT "deferred payment" education loans (loans that do not have to be paid back until you finish school);

(f) the portion of educational grants, scholarships, fellowships, veteran's benefits and deferred payment loans that go to pay for tuition or "mandatory fees" (fees that are charged to all students in school or in a certain course);

(g) **reimbursements**—payments for past or future expenses to pay you back for things like special work clothes, using your own car in your work, or travel to and from a job or training. These reimbursements must be for things *other than* normal living expenses;

(h) money received and used for the care and support of a non-household member;

(i) payments you receive only once, such as income tax refunds and credits; security and utility deposit refunds; and back benefits from programs like AFDC, SSI and Social Security. These **lump-sum payments** count as resources;

(j) the cost of producing self-employment income. (There are special procedures for self-employed households that are explained in paragraph 17);

(k) money you get because you have to move due to urban renewal or highway construction;

(l) payments from the ACTION programs (RSVP, SCORE, ACE, Foster Grandparents, VISTA, etc.);

NOTE: for people joining VISTA after March 1, 1979, this exclusion applies *only* if they were receiving food stamps or public assistance when they joined VISTA;

(m) payments from the Crisis Intervention Program funded by the Community Services Administration;

(n) *any* government payments to help you pay your fuel or energy bills.'

15. HOW WILL THE FOOD STAMP OFFICE PREDICT YOUR INCOME?

The food stamp office will base your eligibility and benefits on the income you will have in future months. To do this, they will look at your past income and ask you whether you expect this income to continue. If you do, this is the amount they will use. But if you are no longer getting this income, or expect income from a new source, then what you have received in the past doesn't matter.

When future income is hard to predict, the food stamp office is only allowed to count it if you are certain it will actually be available. So, if you expect income in the future from a new source, but are not sure *when* you will get it or *how much* you will get, the food stamp office must exclude it.

EXAMPLES:

You have lost your job and applied for unemployment insurance (UI). You are eligible to receive $95 a week, but the UI office cannot tell you when your application will be processed. The food stamp office cannot count this income.

The Warner family are migrant farmworkers. They have just come into a new area, and are looking for work. The local growers pay the minimum wage, and everyone in the family works, but so far no work has been found. The food stamp office cannot assume the Warner family will find work and have income.

If you know what your future income will be, but expect it to vary from month to month, you can have the food stamp office **average** your income so that your benefits will be the same each month.

This is *your choice*—not theirs. Ask the food stamp office to figure it out both ways, to see which way is better suited to your needs.

16. INCOME MUST BE FIGURED ON A MONTHLY BASIS.

In order to find out if you are eligible for the FSP and what your benefits will be, you will have to know your monthly income. That means that income you get every week or every two weeks will have to be changed to monthly income. *This is not as simple as it sounds,* because the FSP has a special rule.

(a) To figure out monthly income from *weekly income,* you must multiply weekly income by 4.3:

> EXAMPLE: Ms. Fox gets $90 per week. To find her monthly income multiply $90 by 4.3 [$90 × 4.3 = $387].

(b) To figure out monthly income from income you get *every two weeks,* you must multiply by 2.15:

> EXAMPLE: Ms. Sills gets $100 every other Friday. To find out her monthly income, multiply $100 by 2.15 [$100 × 2.15 = $215].

(c) To figure out monthly income from income you get *twice a month,* just add the two amounts. *Twice a month is different than every two weeks* (because there are more than four weeks in some months).

> EXAMPLE: Mr. Block gets $186 on the 1st and 15th of each month. To find his monthly income just add the two amounts together [$186 + $186 = $372].

17. WHAT ABOUT SELF-EMPLOYED PEOPLE?

If you are self-employed, the food stamp office will take your annual income and average it over the year (divide it by 12), so that your income for the FSP will be the same each month. This is true even if you earn your income in only one or two months, if this income is intended to cover the entire year.

In figuring your self-employment income, the food stamp office *must* allow you to deduct your business expenses. These costs include things like labor, stock, raw materials, seed and fertilizer, insurance, interest, taxes, and depreciation. You cannot deduct payments on the principal. The income that is left after they have deducted your costs of doing business is your household's self-employment income. It will be treated like income from a job.

18. HOW DO YOU FIGURE YOUR MONTHLY FSP INCOME IF YOU ARE ELDERLY, BLIND, OR DISABLED?

Eligibility and benefits for the FSP for households containing a person 60 years of age or over, or a person receiving Social Security disability or blindness payments or SSI are based on **net monthly income.** This means income *after certain deductions.* After you have determined how much of your income should be counted, and have figured it out on a monthly basis, you should subtract these deductions (and only these deductions):

INCOME DEDUCTIONS

(a) **work deduction**—eighteen percent (18%) of your pay from a job or work-training program;
(b) **standard deduction**—$85 per household;
(c) **medical deduction**—household members age 60 or over or who receive SSI or Social Security disability benefits can deduct monthly medical expenses in excess of $35. *However, any portion of medical expenses that will be paid for or reimbursed by insurance, Medicare or another source cannot be deducted.*
(d) **dependent care deduction**—expenses to care for a child or other dependent in order to work, up to $115;
(e) **shelter deduction**—shelter expenses (rent or mortgages plus utilities and telephone) that exceed 50% of your income *after* the other deductions have been subtracted.

There are different standard deductions and dependent care/shelter deduction maximums for Alaska, Guam, Hawaii, Puerto Rico, and the Virgin Islands. Please see paragraph 64.

WARNING: There are *instructions* which more fully explain these deductions and show how to compute them in paragraph 67. Do not try to figure out your FSP eligibility before you have read these instructions.

19. WHAT IS THE MAXIMUM NET MONTHLY INCOME YOU CAN HAVE AND STILL BE ELIGIBLE FOR THE FSP IF YOU ARE ELDERLY, BLIND, OR DISABLED?

If your household contains a person 60 years of age or older, or a person receiving Social Security disability or blindness payments or SSI, you can use the following chart to find the **maximum net monthly income** you can have and still get food stamps. Find your household size at the left of the chart. Then go across the chart to the column that applies to your state. The figure shown is the maximum net monthly income your household can have and still qualify for the FSP.

REMEMBER: These are *net income* figures—the income you have left *after* you have excluded income that doesn't count and subtracted the deductions you are entitled to. These figures can be used *only* by households with an elderly, blind or disabled person.

MAXIMUM NET MONTHLY INCOME FOR THE ELDERLY, BLIND, OR DISABLED			
Household Size	48 States, D.C. Puerto Rico, Guam and Virgin Islands	Alaska	Hawaii
1	$ 360	$ 451	$ 415
2	475	595	547
3	590	738	679
4	705	881	810
5	820	1,025	942
6	935	1,168	1,074
7	1,050	1,311	1,205
8	1,165	1,455	1,337
9	1,280	1,599	1,469
10	1,395	1,743	1,601
11	1,510	1,887	1,733
12	1,625	2,031	1,865
Each Added Person	+115	+144	+132

20. IF NO ONE IN YOUR HOUSEHOLD IS ELDERLY OR RECEIVES SOCIAL SECURITY DISABILITY OR BLINDNESS PAYMENTS OR SSI, HOW DO YOU FIGURE YOUR MONTHLY FSP INCOME?

For households not containing a person 60 years of age or over, or a person receiving Social Security disability or blindness payments or SSI, eligibility for the FSP is based on *gross monthly income*.

To figure gross income, total all the household's income before taxes, Social Security contributions, or anything else that is taken out. Remember, some income does not count (check Paragraph 14). Your pay stub should have your gross income on it.

21. WHAT IS THE MAXIMUM GROSS MONTHLY INCOME YOU CAN HAVE AND STILL BE ELIGIBLE FOR THE FSP IF YOU ARE *NOT* ELDERLY, BLIND, OR DISABLED?

To find the maximum gross monthly income you can have and still get food stamps, look at the following chart. Find your household size at the left of the chart. Then go across the chart to the column that applies to your state. The figure shown is the maximum gross monthly income your household can have and still qualify for the FSP.

GROSS MONTHLY INCOME ELIGIBILITY STANDARDS			
Household Size	48 States, District of Columbia, Guam, Puerto Rico, and Virgin Islands	Alaska	Hawaii
1.	$ 467	$ 587	$ 540
2.	617	773	711
3.	766	959	882
4.	916	1,146	1,053
5.	1,065	1,332	1,225
6.	1,215	1,518	1,396
7.	1,364	1,705	1,567
8.	1,514	1,891	1,738
Each added person	+ 150	+ 187	+ 172

22. HOW WILL FOOD STAMP BENEFITS BE FIGURED FOR HOUSEHOLDS *NOT* CONTAINING A PERSON WHO IS 60 YEARS OF AGE OR OLDER OR WHO RECEIVES SOCIAL SECURITY DISABILITY OR BLINDNESS PAYMENTS OR SSI?

The amount of benefits a household will receive if it does not contain a person 60 years of age or over, or a person receiving Social Security blindness or disability payments or SSI, is based on ***net monthly income***. This means income after certain deductions. After you have determined how much of your income should be counted, and have figured it out on a monthly basis, you should subtract these deductions (and only these deductions):

INCOME DEDUCTIONS

(a) **work deduction**—eighteen percent (18%) of your pay from a job or work-training program;
(b) **standard deduction**—$85 per household;
(c) **dependent care deduction**—expenses to care for a child or other dependent in order to work;
(d) **shelter deduction**—shelter expenses (rent or mortgages plus utilities and telephone) that exceed 50% of your income *after* the other deductions have been subtracted.

NOTE: The dependent care and shelter deduction, alone or combined, ***can't exceed $115***. There are different standard deductions and dependent care/shelter deduction maximums for Alaska, Guam, Hawaii, Puerto Rico, and the Virgin Islands. **Please see paragraph 64.**

WARNING: There are *instructions* which more fully explain these deductions and show how to compute them in paragraph 67. Do not try to figure out your FSP eligibility before you have read these instructions.

23. HOW MANY STAMPS WILL YOU GET?

The amount of stamps you will get is called the **coupon allotment**. ***It depends on your household size and net monthly income***. If you live in the 48 states or D.C., there is a chart on page 30 that will show you what your coupon allotment will be in the months *following* the month you first applied for food stamps. CAUTION: Be sure to read paragraph 24 to figure out the amount of food stamps the household will receive for the first month an allotment is issued to the household. If you want to understand how the coupon allotments are figured out without using the chart, please follow the instructions below.

(a) Look at the chart below and find your household size. Now go to the column that applies to your state. The figure shown in that column is the **maximum coupon allotment** for a household of your size. Write that figure down.

(b) Now take your net monthly income and multiply it by 30% (0.3). Round to the nearest dollar. Take this answer and *subtract* it from your maximum coupon allotment. The answer is your monthly coupon allotment.

EXAMPLE: A three-person household in Puerto Rico has a monthly income of $108. Their coupon allotment is $142. [Step 1: $108 × .30 = $32.40 Step 2: $32.40 = $32 Step 3: $174 − $32 = $142]

MAXIMUM COUPON ALLOTMENTS

Household Size	48 States and D.C.	Alaska	Hawaii	Puerto Rico*	Virgin Islands	Guam
1*	$ 70	$108	$ 95	$ 66	$ 88	$101
2*	128	197	175	122	161	185
3	183	283	250	174	230	256
4	233	359	318	221	292	337
5	277	426	378	262	347	400
6	332	512	453	315	416	480
7	367	565	501	348	460	531
8	419	646	572	398	526	607
9	472	727	644	448	592	683
10	525	808	716	498	658	759
11	578	889	788	548	724	835
12	631	970	860	598	790	911
Each Added Person	+53	+81	+72	+50	+66	+76

NOTE: These figures may change on October 1, 1982.

*WARNING: For some one- and two-person households that are eligible, but have incomes near the maximum, the instructions in this paragraph don't work. This is because 30% of their net monthly income is more than the maximum coupon allotment. If this happens, just ignore the instructions—their coupon allotment will be $10.

24. HOW MANY FOOD STAMPS WILL YOU GET FOR THE *FIRST MONTH* YOU ARE ELIGIBLE?

For the *first month* a household receives a coupon allotment (following any period of more than 30 days in which a household was not certified to participate in the FSP) food stamp benefits will be given only for the days remaining in the month. This procedure is called *prorating*.

For the *first month* the food stamp office will prorate a households benefits using one of the following methods:

(A) The food stamp office will use a 30 day month. (Households applying on the 31st will be treated as though it applied on the 30th.)

The allotment will be based on the following formula:

$$\text{Allotment} = \text{Full Month's Benefits} = \frac{31 - \text{Date of Application}}{30}$$

(See chart on pages 30-35. You need to compute the household's net monthly income and size to use the chart.)

For example, the household in paragraph 68 applies on October 20. They would receive an allotment of $37.00 in the month of application. $\$102 \times \frac{31-20}{30} = 37.40 = 37$

OR

(B) The food stamp office will prorate the first month's benefits over the exact length of the particular calendar month.

The allotment under method B will be based on this formula:

$$\text{Allotment} = \text{Full Month's Benefits} \times \frac{(\text{number of days in the month}) + (1) - \text{date of application}}{\text{number of days in the month}}$$

(See chart on pages 30-35.)

93-366 O—82——26

For example, the household in paragraph 68 applies on October 5. They would receive an allotment of \$89.00. $\$102 \times \frac{(31) + (1) - (5)}{31} = 88.84 = 89$

Instead of using either formula, the food stamp office may use the Food Stamp Allotment Proration Table. This table is available from your state.

25. DO YOU HAVE TO PAY FOR THE STAMPS?

No. The stamps are free. The purchase price has been dropped from the FSP.

26. WORK REGISTRATION AND JOB SEARCH REQUIREMENT

In addition to meeting the resource and income tests, some household members will also have to register for work at the food stamp office and report to the state and local employment service. This is called the **work registration/job search requirement.**

27. WHO MUST REGISTER FOR WORK?

All *able-bodied* household members between 18 and 60 must register for work when they apply for the FSP and every six months after that UNLESS they:

(a) are physically or mentally unable to work;

(b) are already working at least 30 hours per week;

(c) must take care of a child under 12;*

(d) must take care of a child 12–18 if at least one of the child's parents is already registered or working;

(e) must take care of adults who cannot take care of themselves;

(f) are enrolled in the WIN Program;

(g) are participating in a drug addiction or alcoholic treatment program; or

(h) are receiving unemployment insurance, or have registered for work in order to get it.

NOTE: The food stamp office may ask you to support your reasons for not being physically or mentally able to work. You can do this with a letter from your doctor or another document showing you are disabled.

If you are not exempt from the work registration/job search requirement, the food stamp office will require you to fill out a work registration form. They may then send your registration form to the State Employment Security Agency (SESA). Once SESA has received your registration form, they will send you a letter informing you of an interview date. If the date or time is inconvenient, you can call the office to reschedule it. You **must** appear at the interview in order to continue to participate in the FSP. In the interview SESA may make referrals to available jobs.

28. WHAT HAPPENS IF THE EMPLOYMENT SERVICE FINDS YOU A JOB?

People who are required to register for work must accept any job the employment service finds for them as long as the job is **suitable.**

If you are referred to a job by the employment service and you accept it, you must continue working there until: (1) the work registration requirement no longer applies to you; OR (2) the job is no longer suitable; OR (3) the job ends or you have to leave for reasons beyond your control.

A job is *not suitable* if:[10]

(a) it pays less than the Federal or state minimum wage (MW), or 80% of the MW if the job is not covered by MW laws;

(b) it is offered on a piece-rate basis, and the average hourly pay does not meet the requirement of (a), above;

(c) it is dangerous to your health or safety;

(d) it requires a daily commuting time of more than two hours;

(e) it is work that you are physically or mentally unable to do;

(f) it requires you to join or resign from a union or prohibits joining a union;

(g) it is at a site where there is a strike or lockout (unless the strike has been enjoined under the Taft-Hartley Act or the Railway Labor Act);

(h) it is not work you are familiar with or have done before (this exception only applies for the first thirty days);

(i) the type of work or the hours interferes with your religious beliefs.

29. YOUR RESPONSIBILITIES UNDER THE WORK REGISTRATION AND JOB SEARCH REQUIREMENT

During your initial interview with the State Employment Security Agency (SESA) a decision will be made as to what job search category you are in. Your job search category will determine what your duties are as a work registrant. The categories and the requirements are as follows:

Category I—Job Ready

— You may be considered to be job ready if there are no apparent, substantial barriers to your employment. Once you are job ready, you must comply with job search requirements.

— The requirements are effective for twelve months starting with the first month of registration.

— The job search requirements must be carried out for a period of 8 weeks within that twelve months.

— During that 8 week period you will be required to contact up to twenty-four prospective employers. You will be required to report the results of these contacts to the SESA at least twice during the 8 week period. At that time the SESA will be responsible for checking its files to see if any current referrals exist.

— The SESA will tell you during your intial interview how to report job contacts. Reporting job contacts is extremely important. Failure to make all the required number of contacts may result in your household's disqualification from the FSP.

— If the SESA determines that any of your job contacts are not accepted for such reasons as suitability or the manner in which you contacted the employer, you are allowed an additional two weeks to make up the disallowed contacts.

Category II—Non-Job Ready

You may be considered to be non-job ready if one of the following factors presents a substantial barrier to your employment: (1) medical, language, or family problems; (2) lack of available public or private transportation on a regular basis; (3) temporary lay-off from a job to which you expect to return within 60 days; or (4) anything else which may make it difficult for you to find a job.

Generally, work registrants in category II will not be assigned a specific job search activity. However, if you are determined to be non-job ready because you are temporarily laid-off, you may be called in for a review of your situation at the end of 60 days. Otherwise, you may be called in by the SESA during the six-month registration period for possible referral to jobs.

Category III—Exempt

You may be determined to be exempt from job search requirements if you (1) live more than 2 hours (round trip) from the SESA office or potential employers; (2) you are a migrant or seasonal farmworker following the work stream; (3) you are a member of an exempt group, as determined by USDA, because

you live in an economically depressed area; or (4) you are subject to other reason making it "impractical" for you to look for work. Work registrants in category III will not be required to meet the job search requirements. However, should the SESA determine that exempt status no longer applies to you, you will be reclassified as job-ready or non-job ready. Once you are reclassified, you will have to meet the job search requirements of that category.

30. WHAT HAPPENS IF YOU FAIL TO COMPLY WITH A WORK REGISTRATION/JOB SEARCH REQUIREMENT?

If the food stamp office believes you have failed to meet the work registration/job search requirements without **good cause**, the whole household can be disqualified from the FSP for two months, or until the work requirements are met, or the household member causing the disqualification becomes exempt from work registration requirements, or that household member causing the disqualification is no longer a member of the household.

Good cause includes things beyond your control, like illness, injury, transportation problems, bad weather, or failure to receive a notice from the employment service or the food stamp office asking you to do something.

If the food stamp office tries to disqualify you for failure to meet any of the work registration/job search requirements, and you disagree with their decision, you should ask for a fair hearing to contest their action. (Fair hearings are explained in paragraph 43.)

In addition, if the household member earning the most income quits his or her job without good cause before applying for the FSP, the household can be disqualified for two months.[11]

31. HOW DO YOU APPLY FOR THE FSP?

You apply for the FSP by filing an **application form.** You can get an application form by contacting any food stamp office. In addition, each state has a "toll free hotline," which is a telephone number you can call without charge to get information about the FSP and an application form. If you ask for the application form by mail, it must be mailed to you the same day you request it. If you go to the food stamp office and ask for an application, *they must give it to you right away.* (They must also give a supply of application forms to groups that work with the FSP or have contact with low-income people, like legal aid offices, Community Action Agencies, and welfare rights groups.)

Once you have the application form, all you have to do is fill in your name and address, and sign and date the form. *No other information is required in order to file the application.* You can submit the application by mail, submit it in person at the food stamp office, or have a friend or relative file the application for you.

The food stamp office must give you an application form and let you file it the same day you first ask to apply. They *cannot* interfere with this right in any way. The food stamp office cannot make you come back another day, or make you wait to see a caseworker, or limit the number of people they will take applications from. If you go to a food stamp office that does not serve your neighborhood, they will give you the address of the right office, but they still have to accept your application and forward it to the food stamp office that serves the area where you live.

If everyone in your household is also applying for Aid to Families With Dependent Children (AFDC), the welfare office must let you apply for AFDC and the FSP at the same time. Likewise if everyone in your household is applying for Supplemental Security Income (SSI), the Social Security office must let you apply for SSI and the FSP at the same time. Neither the welfare office nor the Social Security office can make you see another worker or go to another office.

If you are applying for state or local welfare—usually called General Assistance—you may be able to apply for the FSP at the same time. Even if you are not able to apply for both programs at the same time, the General Assistance office *must* give you a FSP application form and tell you where to file it.

32. WHAT HAPPENS AFTER YOU FILE YOUR APPLICATION?

Once the food stamp office that serves your neighborhood has received your application, **it has 30 days to act on your application and provide you with food stamps if you are eligible.** (The 30 days begin the *day after* you file your application.) The food stamp office must comply with the 30 day rule even if you have applied for AFDC, SSI, or General Assistance at the same time, and it takes them longer to make a decision about your eligibility for those programs. You will get food stamps for the days remaining in the month in which you apply, even if the food stamp office doesn't act on your application until the next month.

In order to complete the application process, the food stamp office will have to find out who lives in your household, what their income and resources are, whether they are covered by the work requirement, and the Social Security numbers of all household members except students under age 18 (although you have 90 days to get the numbers if you don't have them). The food stamp office will go over this information in a **face-to-face interview** at the office. The interview may take place on the same day you file your application, or the food stamp office may ask you to come back on another day. Remember, however, that the 30 days begin to run the day after you file your application, even if the interview is held later.

NOTE: There are some exceptions to the rule about face-to-face interviews at the food stamp office. Please see paragraph 35.

33. WHAT HAPPENS AT THE INTERVIEW?

During the interview, the caseworker will ask you about your household circumstances, and will also ask you to provide proof about some things. This is called **verification.** Verification can be provided in three different ways:

(a) **Documentary evidence**—written documents like pay stubs or utility bills, a driver's license or an ID card for another benefits or social services program.

(b) **Collateral contacts**—contacts with people outside your household who can support the information you have given (like your employer, your landlord, or household neighbors, for example). The food stamp office must get your permission before making a collateral contact.

(c) **Home visits**—the food stamp office can use a home visit if documentary evidence is not available provided they schedule the visit in advance.

If you have receipts for your most recent rent or mortgage payments, telephone and utility bills, and dependent care expenses, take these receipts with you when you are interviewed to speed things up. If you have difficulty in providing verification, or answering a question, the caseworker must help you. But if you refuse to answer the questions or cooperate in providing the verification, the food stamp office is allowed to turn down your application.

Federal law requires the caseworker to get verification of seven things:

(a) income that is counted for FSP purposes;

(b) the alien status of a household member who indicates that he or she is not a U.S. citizen;

(c) utility bills, *if* you want to claim your actual utility costs rather than the state's utility allowance and these costs result in a deduction (see paragraph 67);

(d) the Social Security numbers of all household members except students under age 18. (You have 90 days to get the numbers of those who don't have them.);[12]

(e) Medical expenses over $35 for people over 60 or for people who receive SSI or Social Security disability;

(f) residency; and

(g) identity of the person applying for food stamps. (If an authorized representative applies on behalf of your household, the identity of the authorized representative **and** the head of household must be verified.)

In addition to these items, the caseworker may ask for verification of other items. This will vary from state to state and the verification rules on the following items may vary within the state. Depending on the rules covering your area, you may be asked to verify:

(a) shelter costs if these costs result in a deduction (see paragraph 67);

(b) utility expenses;

(c) dependent care costs;

(d) household size;

(e) cash on hand, savings, stocks and bonds; or

(f) loans.

The caseworker will also ask for verification of **questionable information.** This will happen when information you give the food stamp office differs from other information given to the food stamp office by yourself or somebody else (like a neighbor or employer). To be on the safe side, be prepared to verify as

many facts about your household circumstances as you can. When caseworkers ask for additional information, ask them to write down what additional information is needed.

If you do not have the verification that the caseworker asks for, the food stamp office must give you at least 10 days to get it. If the caseworker thinks you are not telling the truth about something, you must be told about this problem, and given a chance to tell your side of the story.

34. CAN SOMEONE ELSE APPLY FOR YOU?

Yes. Someone who is not a member of your household can apply for you, go to the interview, and provide the information the food stamp office needs to complete your application. This person is called an **authorized representative.** He or she can be a friend, a relative, someone who works for an agency, or anyone you choose. In addition to applying for you, an authorized representative can also get your stamps for you if you are found eligible, as well as use the stamps to buy your groceries.

If you want someone to be your authorized representative, you should write a note to the food stamp office that says you have given your permission for this person to be your authorized representative.

35. DO YOU HAVE TO BE INTERVIEWED AT THE FOOD STAMP OFFICE?

No. Although interviews are usually held at the food stamp office, they do not have to be. The food stamp office can always **waive** (excuse you from) the interview. It *must* waive the office interview if you are not able to appoint an authorized representative, *and* all members of your household are either 65 (or older) or disabled. The office interview may also be waived if you cannot appoint an authorized representative, and no adult in your household is able to get to the food stamp office because of illness, bad weather, transportation problems, or other good reasons, though the decision to waive the office interview in these cases is up to the food stamp office.

The food stamp office will not waive the office interview unless you ask them. If they waive the interview at the office, they will either interview you by telephone, or will make a **home visit** (come to your home to interview you there). The food stamp office must check with you before making a home visit, to be sure that the time and date are convenient for you.

If they do make a home visit, it is only to obtain the same information you would have given them if you had been able to get to the food stamp office. They cannot look around your home, search your closets, or ask you questions about your personal life. Nor can they turn you down for not answering questions that have nothing to do with your eligibility for the FSP.

36. CAN YOU GET EMERGENCY FOOD STAMPS?

Yes, if your lack of income qualifies you for what is known as **expedited service.**

The food stamp office MUST give you expedited service if:

(a) you have no income after deductions; OR

(b) you are **destitute.**

Your household is destitute if:

(1) your only income for the month you apply in was received before the day you applied for the FSP; *AND*

(2) that income is from a source that is no longer available; *AND*

(3) you do not expect to get more than $25 from a new source for at least 10 days.

If you are eligible for expedited service, the food stamp office will ask you for some identification that shows who you are and where you live. If you do not have any identification, the food stamp office will make a collateral contact to confirm that your household really exists and lives in the area. They *must* put off other verification until later if you do not have the information they ask for.

The food stamp office *must* either mail you your stamps within two days or have them ready to be picked up at the start of the third day. This means days that the office is normally open.

You can apply for expedited service through an authorized representative, or can ask the food stamp office to let you apply by a telephone interview or home visit if you are in a situation where the office interview should be waived. If you are not eligible for expedited service, the food stamp office will process your application in the regular way.

37. HOW DO YOU FIND OUT WHAT ACTION THE FOOD STAMP OFFICE HAS TAKEN ON YOUR APPLICATION?

The food stamp office must send you a notice telling you what action they have taken on your application *within 30 days after the date you apply*. If you are eligible, they must make sure that you also get your stamps within 30 days. In addition, the food stamp office will send you an identification card (ID), which you are supposed to have with you when you get and use your food stamps. In some states, you may be required to have your picture taken for the ID card. Households may be exempted from this requirement if certification for the FSP occurred someplace other than the food stamp office, or if their religious beliefs prohibit being photographed. If your state does not *require* photo ID's in your city, they can still ask to have your picture taken for the ID card. If you don't want your picture taken when it is not required, you can *refuse*. This will not affect your eligibility for the FSP.

38. WHAT ABOUT PEOPLE WHO USE A LANGUAGE OTHER THAN ENGLISH?

Throughout the country, there are communities where many people use a language other than English. They may speak, read and write in Spanish, Chinese or Italian, for example, and have trouble understanding and communicating in English. This means they may have trouble in applying for food stamps and providing the food stamp office with the information it needs to complete the application.

In these communities, the food stamp office is supposed to have people available who are **bilingual**—who can communicate in both English and whatever other language is commonly used in the community. In addition, the food stamp office is supposed to have written materials which explain the FSP, as well as application forms and notices, that are written in the language that is commonly used in the community.

39. HOW DO YOU GET THE STAMPS?

The way that stamps are issued varies from state to state, and may vary from one community to another within a state. In most places you will get an **authorization to participate (ATP)** card in the mail each month, which shows the amount of stamps you are eligible to receive. You then take the ATP card to an issuance center, and trade in the ATP card for the stamps. The issuance center may be a bank, a post office, or any other place the state selects to issue stamps.

Not all states use ATP cards. Some states use a **household issuance record (HIR)**. In places that use a HIR system, you go to the issuance office each month and they issue your stamps after they look up your record.

In addition to ATP and HIR systems, some states use mail issuance systems. There are two kinds of mail issuance. In **direct mail issuance** systems, the stamps themselves are mailed to you each month. In **indirect mail issuance** systems, you are mailed an ATP card each month, which you must then mail back. Your stamps are then mailed back to you.

40. HOW LONG WILL YOU REMAIN ON THE FSP?

Once the food stamp office has determined that you qualify for the FSP, you will be **certified** (officially found eligible) to receive food stamps for a certain number of months, called the **certification period.** Certifications periods vary from one month to a year. (Most households are certified for three months.) Households that have stable incomes and do not expect any changes in household circumstances are supposed to be certified for longer periods of time. The food stamp office cannot certify you for less than three months unless there is a good chance your income may change within the next month or two.

When your certification period ends, your eligibility to participate in the FSP also ends. You have to *reapply* for the FSP in order to continue getting benefits. *Before* your certification period ends, the food stamp office must send you a notice reminding you of this fact, and give you a chance to be **recertified** (apply and be found eligible again). If you reapply before the 15th day of the last month of your certification period, and you are still eligible, the food stamp office must make sure that there is *no interruption in your food stamps*. The elderly and disabled receiving SSI benefits may be recertified for food stamps at the Social Security office.

41. WHAT HAPPENS IF YOUR HOUSEHOLD CIRCUMSTANCES CHANGE?

If your household circumstances change, you must report the change to the food stamp office *within 10 days*. Not all changes have to be reported, however.

> You must notify the food stamp office ONLY if:
>
> (a) your gross monthly income goes up or down by more than $25;
>
> (b) the number of people in your household changes;
>
> (c) you change your residence and have new shelter costs;
>
> (d) you get a licensed vehicle that is not excluded under the resource rules; or
>
> (e) your liquid resources (cash, savings, stocks and bonds) increase over the resource limit.

The food stamp office will give you a **change report form** when you are certified and recertified. The postage is already paid. If you use the form to report a change, they will send you another form for future use. If you are not sure whether you should report a change or not, it is best to play it safe and report it.

42. WHAT HAPPENS IF YOU MOVE?

If you move to another county or state, you have the right to keep getting food stamps for *60 days* after you move, if the members of your household stay the same. The food stamp office where you lived before the move *must* prepare the papers (known as FNS form 286) to transfer your certification. The food stamp office in the area you move to must accept these papers and let you get food stamps without an interruption in your benefits. Before the 60 days are up, you will have to be certified again in the new location.[13]

43. WHAT HAPPENS IF THE FOOD STAMP OFFICE TAKES SOME ACTION YOU DISAGREE WITH?

If the food stamp office takes *any* action you disagree with, you should ask for a **fair hearing**. A fair hearing is a meeting with people from the food stamp office that is run by a person called the **hearing official**. The hearing official must be **impartial** (not have been involved in the action being contested). At the hearing, you will have a chance to tell your side of the story, and to show why the action taken by the food stamp office was wrong and should be changed.

44. WHAT ARE YOUR RIGHTS UNDER THE FAIR HEARING PROCESS?

The fair hearing process gives you some very important rights.

> You have the **RIGHT**:
>
> (a) to be *represented* before, during and after the hearing by someone you choose. This can be a lawyer, an advocate, a friend, or anyone else you want to represent you;
>
> (b) to *see your file* and *get free copies* of any documents you will need to decide whether to ask for a hearing or to prepare for one. The food stamp office must let you do this far enough ahead to adequately prepare for the hearing;
>
> (c) to *bring witnesses* to support your arguments;
>
> (d) to *ask questions* of any witness used by the food stamp office, or of another employee of the food stamp office who knows about your case;
>
> (e) to *present arguments* and documents that support your side;
>
> (f) to *reply to arguments* made by the food stamp office.

45. THERE ARE TWO KINDS OF FAIR HEARING SYSTEMS.

In a **one-level** system, fair hearings are held by the state agency that runs the FSP. The hearing official is a state employee who does nothing but hold fair hearings. If your state has a one-level hearing system, they *must* hold the hearing and give you a written decision within *60 days* of the date you first asked for the hearing.

In a **two-level** system, there must first be a *local* hearing before your case is heard by the state. The hearing official at the local hearing must be an impartial person—it *cannot* be the caseworker who took the action you disagree with or his or her supervisor. If your state uses a two-level hearing system, the food stamp office must hold the local hearing and give you a written decision within 45 days of the date you first ask for the hearing. If you disagree with the decision, you have 15 days to appeal the decision and ask for a state level hearing. The state will then have 45 days to hold the hearing and give you a written decision. If you appeal a local hearing, be sure to ask for a *new hearing*—otherwise, the state will just look over the report from the first hearing.

> IMPORTANT: **STATE AND LOCAL FAIR HEARING DECISIONS MUST COMPLY WITH FEDERAL LAW.** This means that the hearing official *must* follow USDA's rules and regulations, even if they are different than the state or local rules. This is *always* true.

46. HOW DO YOU ASK FOR A FAIR HEARING?

You can ask for a fair hearing in person, by telephone, or in writing. You can ask for the hearing yourself, or through someone you appoint to represent you. It is always best to ask for the hearing *in writing*. If you have trouble requesting a fair hearing, the food stamp office *must* help you.

Send your fair hearing request to the food stamp office. You can use a form supplied by the food stamp office, or you can write your own letter. It only has to be a simple statement saying that you want a fair hearing. You do not have to state specifically the reason for requesting the hearing. It may be better to give a general reason for the hearing request. (For example, "My coupon allotment is wrong" as opposed to "I was not given a dependent care deduction.") Be sure to include the date (and your case number, if you are already certified for the FSP).

The state agency or the local food stamp office will arrange the hearing, but the time, place and date must be convenient for you. They *must* notify you in writing at least *10 days* in advance of the time and place. If you cannot make it to the hearing, you should ask them to change the date. You *always* have the right to postpone the hearing for 30 days for any reason.

The food stamp office cannot deny or end a hearing UNLESS *you* or someone who represents you withdraws the request, or you fail to show up for the hearing without a good reason.

> IMPORTANT: You must ask for the fair hearing within *90 days* of the date the food stamp office took the action you disagree with. There is one *exception* to this rule: you can always ask for a fair hearing at any time *during your certification period*, even if it has been more than 90 days since the action you disagree with has occurred.

47. YOU HAVE THE RIGHT TO BE TOLD ABOUT ANY ACTION THE FOOD STAMP OFFICE PLANS TO TAKE AGAINST YOU.

Federal law says that the food stamp office *must* notify you in writing at least *10 days before it plans to take any harmful action against you* (such as cutting you off the FSP or reducing your benefits). This is called a **notice of adverse action.** (The 10 days begin when the notice is *mailed.*) The notice must tell you what action they plan to take, the reason for the action, and when it will occur. The notice must also give you a telephone number to call for more information, and the name of any organization that provides free legal services, and must tell you about your right to a fair hearing.

48. YOU HAVE THE RIGHT TO KEEP GETTING FOOD STAMPS AFTER YOU ASK FOR THE FAIR HEARING.

If you file for a fair hearing during the 10 days the food stamp office must give you before taking any action (see paragraph 47), they cannot act to lower your food stamp benefits until the fair hearing has been

held and a decision has been made. Your benefits will continue at the same level UNLESS your *certification period ends* in the meantime or you waive your right to continued benefits. If your certification period ends, your eligibility to participate in the FSP also ends, and you will have to reapply. The hearing will still be held, however.

> NOTE: If your state uses a two-level hearing system (see paragraph 45), your benefits will stop if you lose the first hearing, even if you appeal to the state for a new hearing.

49. WHAT HAPPENS IF YOU WIN THE HEARING?

If you win, and the hearing official decides you did not get all the food stamps to which you were entitled, you will be able to get back benefits to make up for the stamps you lost. This is called **restoration of lost benefits**. Your lost benefits will generally be included with your next coupon allotment.

> IMPORTANT: You can get restoration of lost benefits even if you are not currently eligible for the FSP.

50. WHAT HAPPENS IF YOU LOSE THE HEARING?

If your state has a two-level hearing system, and you lose the local level, you can always appeal to the state (see paragraph 45). If you lose at the state level, you can appeal the decision in court.

If you continue getting food stamps while waiting for the hearing decision (see paragraph 48), you may be asked to pay back the amount of stamps you should not have received. *You only have to pay back the stamps if you want to.* If you decide you cannot afford to repay, or do not want to, the food stamp office is not allowed to cut you off the FSP, fail to recertify you if you are eligible, or reduce your benefits in any way.[14]

51. WHAT HAPPENS IF THE FOOD STAMP OFFICE MAKES A MISTAKE?

Sometimes the food stamp office makes a mistake in figuring the amount of stamps you are supposed to get, or in deciding your eligibility, and neither you nor they catch the mistake until later.

An **underissuance** is when the mistake results in your getting *less* stamps than you should have. In this case, you are entitled to restoration of lost benefits. If you discover the mistake, you should bring it to the attention of the food stamp office. If they refuse to correct it, ask for a fair hearing (see paragraph 43).

An **overissuance** is when the mistake results in your getting *more* stamps than you are entitled to. In this case, you may be asked to repay the extra stamps, even though the mistake was their fault. But even when the food stamp office says you caused the mistake, *you do not have to repay the overissuance unless you want to.* The food stamp office can never *force* you to repay an overissuance (unless you are found guilty of fraud—see paragraph 55).[15] If they tell you that you must repay the overissuance or they will reduce your benefits or cut you off the FSP, *they are breaking the law.* If they ask you to sign anything, don't do it unless you know what you are signing and understand what you are agreeing to do by signing.

52. WHAT IF THE FOOD STAMP OFFICE THINKS YOU HAVE COMMITTED FRAUD?

If the food stamp office thinks you have cheated or lied in order to get food stamps, they may accuse you of **fraud**. If this happens, you may be asked to attend an **administrative fraud hearing** at which they will present their case against you and give you a chance to respond. It is similar to a fair hearing (see paragraph 43), except that *they* ask for the hearing rather than you.

As with fair hearings, the state can have a one-level or two-level fraud hearing system. The state can also have *separate* fair and fraud hearings, or it can *combine* the two hearings into one procedure. There can be separate officials for fair and fraud hearings, or the same official can hear both.

You will learn about the fraud hearing by mail. The food stamp office will send you a notice that will give the time, date and place of the hearing, and will also tell you what they think you have done and what evidence they have against you. You must be given at least *30 days* advance notice of the hearing.

You always have the right to postpone a fraud hearing for up to 30 days.

53. WHAT IS THE DEFINITION OF FRAUD IN THE FSP?

Fraud is different than simply making a mistake or forgetting to tell the food stamp office something. It is an action you take on purpose which you know is wrong.

Federal law says that to prove fraud, the food stamp office must show that you purposely:[16]

(a) made a false statement; or

(b) concealed information; or

(c) altered an ATP card; or

(d) used food stamps to buy ineligible items like alcohol or cartons of cigarettes; or

(e) used or possessed ATP cards you should not have had; or

(f) traded or sold an ATP card or the stamps themselves.

54. WHAT HAPPENS AT THE FRAUD HEARING?

The fraud hearing is very similar to a fair hearing. You have the same rights (see paragraph 44) to be represented by someone else, see your file, get copies of documents, question witnesses and present a defense. What is different about a fraud hearing is this—since the food stamp office asked for the hearing, they *must prove their case*. You don't have to answer their questions, or even show up at the hearing (though if you fail to appear without good cause, they will hold the hearing without you).

Remember, it is not enough for them to just show that you got too many food stamps, or got stamps when you were not eligible. They must *prove* you committed fraud.

55. WHAT HAPPENS IF YOU LOSE THE FRAUD HEARING?

Two things will happen. First, the person found guilty of fraud (*not* the entire household) will be disqualified (knocked off the FSP) for three months. During the three-month period, the food stamp office will continue to count his or her resources and a part of his or her income as belonging to the rest of the household.[17]

Second, the food stamp office will ask for repayment of the stamps that were fraudulently received or used. You have to pay this money back in cash (either in a lump sum or installments) or the entire household will have its coupon allotment partially reduced until the entire amount is recovered.

56. CAN YOU ALSO BE TAKEN TO COURT ON A FRAUD CLAIM?

Yes. Even if the food stamp office fails to hold a fraud hearing, there is a chance you will be taken to court for fraud. If this happens, you should immediately get a lawyer to represent you. (If you cannot afford a lawyer, ask the court to appoint one for you.) Do not talk to the food stamp office or anyone else about your case and *do not sign anything* until you have talked to a lawyer.

If you are found guilty of fraud by a court, you will be disqualified from the FSP for 6 to 24 months.[18] The judge can also order you to pay back the food stamps you received improperly. (If the *judge* orders you to pay back the stamps, and you don't do it, you can be thrown in jail.)

57. CAN ROOMERS GET FOOD STAMPS?

Yes. A **roomer** can get food stamps as a separate household if they meet eligibility requirements. A roomer is a person who pays to live in your house but does not eat with you.

58. CAN BOARDERS GET FOOD STAMPS?

No. Boarders cannot receive food stamps under any circumstances. A **boarder** is a person who pays to live and eat with you. In order for a person to be considered a boarder, he or she must pay you a **reasonable amount** for board, which means that:

(a) for more than two meals a day, the payments from boarders must equal the maximum coupon allotment for a household with the same number of people as you have boarders (see paragraph 23); and

(b) for two meals a day or less, the payments from boarders must equal two-thirds of the maximum coupon allotment for a household with the same number of people as you have boarders (see paragraph 23).

If the boarder(s) pays less than the amount required, the food stamp office will consider this person to be a member of your household, and will count his or her income and resources in figuring your household's eligibility for the FSP.

NOTE: You may still be eligible for food stamps even though you take in boarders.

59. DOES ALL THE INCOME FROM A BOARDER COUNT?

No. In order to figure out how much income you get from a boarder, the food stamp office will take the total payment you receive from boarders and *subtract* what it costs you to provide the meals. The amount that is left is what is counted. If you are not sure what it costs to provide the meals, or don't have records to prove it, the food stamp office will subtract the maximum coupon allotment for a household with the same number of people as you have boarders (though they will never subtract more than the boarder actually pays).

Maximum coupon allotments are found in paragraph 23.

EXAMPLE: You live in Hawaii, and have two boarders. They each pay you $90 a month. The coupon allotment for a two-person household in Hawaii is $175, so the food stamp office will only count $5 from the boarders. [$90 + $90 = $180; $180 − $175 = $5]

60. DO YOU HAVE TO BE A U.S. CITIZEN TO GET FOOD STAMPS?

No. But if you are not a United States citizen, you must be able to show that you have been lawfully admitted to this country for permanent residence, or that the authorities have decided to let you stay under certain laws. Citizens of another country who are here as tourists, visitors or students cannot qualify for the FSP.

61. CAN STUDENTS GET FOOD STAMPS?

Yes, though there are several restrictions. Students between the ages of 18 and 60 who are enrolled at least half time in an institution of higher learning *are eligible if they meet one* of the following requirements:

1. they must be employed 20 hours a week, and must be paid for such employment (if they are self-employed they must work 20 hours a week and earn at least the federal minimum wage multiplied by 20 hours per week); or
2. they must be actually participating in, not just eligible for, a federally funded work-study program; or
3. they or their spouse must be providing more than half the support of a dependent household member. If the dependent is a spouse, minor child, or a relative, and they have little or no income of their own, the food stamp office will consider them then to be supporting the dependent regardless of the source of the support. For example, they could receive AFDC for the children and the children will be considered to be their dependents; or
4. they must be enrolled in school as a result of the WIN program; or
5. they must be disabled.

Eligible students are exempt from work registration during the school year as well as during vacations and recesses (providing they plan to return to school).

62. CAN PEOPLE ON STRIKE GET FOOD STAMPS?

Maybe. People who are on strike can get food stamps *only* if they were eligible (not necessarily participating in the program) for food stamps prior to the strike. However, these households will not receive more food stamps because of their lower income due to the strike.

63. CAN PEOPLE IN TREATMENT PROGRAMS AND SHELTERS FOR BATTERED WOMEN GET FOOD STAMPS?

Yes. Any drug addict or alcoholic who lives at a treatment center and participates in a drug addiction or alcoholic treatment program can get food stamps *if* they meet the FSP eligibility requirements. In addition, people in shelters for battered women and children are eligible.

64. WHAT IS THE STANDARD DEDUCTION AND THE DEPENDENT CARE/SHELTER DEDUCTION MAXIMUM OUTSIDE THE 48 STATES AND DC?

Look at the chart below and find the column that applies to your area. Use these figures rather than the figures given in paragraph 18 and 22.

	Alaska	Guam	Hawaii	Puerto Rico	Virgin Islands
Standard Deduction	$145	$170	$120	$50	$75
Dependent Care/Shelter Deduction Maximum	$200	$140	$165	$40	$85

65. WHAT HAPPENS IF YOUR FOOD STAMPS ARE STOLEN, DESTROYED, OR LOST?

If your food stamp coupons or ATP card is lost, stolen, or destroyed, they will be replaced according to the following chart:

	Replaced?	How Often?	How Quickly?
Lost ATP	No		
Lost Food Stamps	No		
Stolen ATP (after receipt)	Yes	Once every 6 months	10 days from request
Stolen ATP (in the mail)	Yes	Twice every 6 months	10 days from request
Stolen Food Stamps (after receipt)	No		
Stolen Food Stamps (in the mail)	Yes	Twice every 6 months	10 days from request
Lost *in the mail* ATP or Food Stamps	Yes	Twice every 6 months	10 days from request
Destroyed ATP card or Food Stamps	Yes	Once every 6 months	10 days from request (must be requested within 10 days of incident)

66. WILL FOOD PURCHASED WITH FOOD STAMPS BE REPLACED WHEN IT HAS BEEN DESTROYED IN A HOUSEHOLD DISASTER?

Yes. The actual value of food destroyed in a disaster such as fire, flood, etc. will be replaced. However, the replacement value cannot exceed the household's monthly coupon allotment.

67. INSTRUCTIONS TO FIGURE OUT YOUR MONTHLY FSP INCOME.

The procedures used to compute a household's monthly FSP income and benefits depend on the household's composition. The worksheet in paragraph 69 outlines the procedures to be used by households containing a member over 60 years of age or receiving SSI or Social Security disability payments. The worksheet in paragraph 70 outlines the procedures to be used for all other households. ***Before you use*** either worksheet, you should read over the following instructions, which apply to both worksheets, and read the example in paragraph 68. The instructions in parentheses apply only to the worksheet in paragraph 70.

> States can use *one* of the two methods to calculate food stamp net monthly income.
>
> 1. At every step in the calculations, states will round up or down to the nearest dollar. Figures ending in 1 through 49 cents are rounded down; figures ending in 50 through 99 cents are rounded up.
>
> Ex. $180.55 = $181 — $180.42 = $180
>
> NOTE: In calculating shelter costs, keep the cents until you add up everything. Then round the answer to the nearest dollar.
>
> 2. States will use the same procedures used for calculating AFDC net monthly income. This may include keeping the cents until the final step for determining net monthly income.

A. Put down your total *monthly* pay from work (*before* payroll deductions), training, or an assistance program that requires you to work. Be sure to use MONTHLY figures, following the rules in paragraph 16. The answer is your **gross monthly earned income.** If you do not have any income from these sources, go to step D.

B. Take 18% of your gross monthly earned income. To do this multiply your gross monthly earned income by .18. The answer is your work deduction.

C. *Subtract* your work deduction from your gross monthly income (subtract B from A).

D. *Add* all other monthly income your household gets each month. Income was discussed in paragraph 14. Do not forget: some income is not counted.

E. Now *subtract* the $85 **standard deduction.**

F. Now *subtract* the monthly medical expenses over $35 of anyone in your household who is 60 or older or who receives SSI or Social Security disability benefits. Medical expenses include doctor, dentist, and hospital bills; prescription drugs and over-the-counter medicine prescribed by a doctor; medicare and insurance payments; payments to someone to care for the elderly or disabled person in the home; transportation to and from the doctor or hospital; and more. *However,* any portion of the medical expenses that will be paid for or reimbursed by insurance, Medicare, or another source cannot be deducted. You'll have to subtract $35 from the total of these expenses, and then subtract that from the answer to step E.

G. Now *subtract* your dependent care costs *up to $115.* If you do not have dependent care costs, *or* your costs are less than $115, *or* they are greater than $115 but someone in your household is 60 or older or receives SSI or Social Security disability benefits, complete this step and go on to step H. *However,* if your dependent care costs are greater than $115 but no one in your household is elderly or disabled (as described above), skip steps H-M: because *your* dependent care and shelter deduction *combined* can't exceed $115, you can't get shelter deduction, so the answer to G is your monthly FSP income.

H. Now figure out your monthly shelter costs based on what you have been *billed for* (it does not matter if you have not paid the bill). Shelter costs include: rent or mortgage payments; payments on a mobile home and rent for the space where it is parked; electricity; gas; heating oil; bottled gas; firewood; water; sewage; garbage; taxes and insurance on your house; repairs to your house caused by a disaster (fire, flood, storm, etc.); installation fees for utilities or telephones; and the *basic* charge for one telephone. Some states use exact monthly figures until you get the answer, then round it off. Other states round each figure to the nearest dollar. Check with your state.

NOTE: Each state is supposed to have a standard utility allowance. It can be one allowance that covers all utilities, or there can be separate standards for each utility. You can use the utility standard rather than actual costs if you have to pay for any major utility (like heat or electricity). You can always use your actual costs if they are higher than the standard with one exception: the state can use a standard telephone allowance even if it is less than your actual bill.

I. Now take the monthly income you have left *after* you have subtracted your work deduction, the standard deduction, the medical deduction, and your dependent care costs (which is the answer to G). Divide the figure in half. The answer is your **shelter standard.**

J. If *(and only if)* your shelter costs are *greater than* your shelter standard, *subtract* your shelter standard (which is I) from your shelter costs (which is H). The answer is your **shelter deduction.** If your shelter standard is greater than your shelter costs, you do not get a shelter deduction, and the answer to G is your monthly FSP income. If anyone in your household is elderly or disabled go on to step K in paragraph 69.

(K.) If no one in your household is elderly or disabled, you have to subtract your dependent care costs from $115 to find how much of the combined dependent care/shelter deduction is still available. If you do not have dependent care costs, the the full $115 is available.

(L.) Put down the answer to J or the answer to K, whichever is less. (If someone in your household is elderly or disabled, put down the answer to J.) This is your final shelter deduction.

(M.) Subtract your final shelter deduction from the monthly income you have left after the other deductions have been subtracted.

> The last answer you get is your monthly FSP income. Use this figure to find out how many stamps you will get (see paragraph 23).

68. EXAMPLE

The Blockman family lives in Lincolntown, where Ms. Blockman works in a factory making parts for other factories. She makes $163 a week before payroll deductions. Ms. Blockman has not seen her first husband, Earl Butts, for several years, ever since he went to Checkerboard Square, Missouri. He sends her occasional checks, but unfortunately, she never knows when these checks will arrive or how much they will be.

There are three children in the family, and the two oldest, David, 17 and Alberta, 15, work after school. They earn $35 a week. Ms. Blockman is separated from her second husband, John, but he sends her $60 a month child support for their youngest child, Ronnie. John also makes Ms. Blockman's car payments, which are $85 a month. Ms. Blockman pays a neighbor $15 a week to watch Ronnie after school until she gets home from work. She pays the dentist $40 a month.

The monthly mortgage payment on the Blockman home is $150 a month, which includes taxes and insurance. The most recent monthly bills are: heating oil, $90.43; electricity, $30.60; gas, $10.72; and water, $9.00. Basic telephone charges are $11.90 a month. The state's utility standard, which covers all utilities except telephone, is $90 a month.

What is the Blockman's monthly FSP income? Are they eligible for the FSP? How many stamps will they get if they are eligible?

ANSWER TO EXAMPLE: [NOTE: Answer follows worksheet on the next page and the first method of calculation in paragraph 67 will be used.]

A. Ms. Blockman's gross monthly income from work is $701. [$163 × 4.3 = $700.90 = $701]

B. Ms. Blockman's work deduction is $126. [$701 × .18 = $126.18 = $126]

C. After subtracting the work deduction, her income is $575. [$701 − $126 = $575]

D. The checks from Earl do not count because they cannot be anticipated. The money earned by David and Alberta is excluded because they are students under 18. And the car payments made by John are excluded as vendor payments. The only unearned income that must be added is the $60 child support for Ronnie, which makes their income $635. [$575 + $60 = $635]

E. Now subtract the standard deduction, and their income is $550. [$635 − $85 = $550]

F. Because no one in the household is age 60 or older, or receives SSI or Social Security disability benefits, the household cannot deduct any medical expenses.

G. Dependent care costs (child care for Ronnie) are $64 a month. [$15 a week × 4.3 = $64.50 = $64] After these expenses are deducted, the Blockman's have a monthly income of $486. [$550 − $64 = $486]

H. Since her utility costs (other than telephone) are more than the state's utility standard of $90, Ms. Blockman elects to use her actual costs of $140.75. [$90.43 + $30.60 + $10.72 + $9.00 = $140.75] Adding her utility bills to her telephone bill and mortgage payment brings her total shelter costs up to $303. [$140.75 + $11.90 + $150.00 = 302.65 = $303]

I. The Blockman's shelter standard is $243. [$486 ÷ 2 = $243]

J. Since the Blockman's shelter costs exceed their standard, they have a shelter deduction of $60. [$303 − $243 = $60] (If anyone in the household were 60 or older, or receiving SSI or Social Security disability benefits, the Blockmans would skip the next step—step K—and put down $60 for step L. However, since no one in the household fits that description, they continue on to step K.

K. Now subtract dependent care costs from $115 to find out how much of the dependent care/shelter deduction is avilable. The answer is $51. ($115 − $64 = $51]

L. Now compare the Blockman's shelter deduction (J) to the answer to (K) to see whether they can claim the entire shelter deduction. They can't. After subtracting dependent care costs from the $115 there is $51 left to use for the shelter deduction, so that is all that can be subtracted. (It would be different if someone in the household met the description of elderly or disabled. See J.)

M. Subtract the $51 shelter deduction, and the Blockman family has a monthly income of $435. [$486 − $51 = $435] This is their monthly FSP income.

The Blockman's are a family of four. The chart in paragraph 21 shows that a household of four persons can have a monthly income of $916 and still get food stamps if Lincolntown is in the 48 states (which it is). So the Blockman's gross monthly income of $761 ($701 in work income and $60 in child support) makes them eligible. To find out how many stamps they will get, look at the chart on page 30. It tells you that the Blockman's allotment will be $102.

Use the following worksheet to figure the Blockman's monthly FSP income.

Income Worksheet for Example.

A. Give gross monthly earned income from work or job training program. *If you don't have any earned income, go to step D.* [Round] .... ANSWER = 701

B. Take 18% of the answer to A. [Round]
701 × .18 = 126.18 = 126 .... − 126

C. **Subtract** the answer to B from A .... ANSWER = 575

+ 60

D. **Add** all other monthly income. [Round] .... ANSWER = 635

− 85

E. **Subtract** the standard deduction of $85 .... ANSWER = 550

F. **Subtract** monthly medical expenses over $35 of household members age 60 or older, or who receive SSI or Social Security disability benefits. [Round]
[Total monthly expenses] ______ − $35 = ______ ... − 0
ANSWER = 550

G. **Subtract** monthly dependent care costs up to $115. [Round] *If your dependent care costs are $115 or more, and no one in your household is age 60 or older or receives SSI or Social Security disability benefits, stop here: the answer to G is your monthly FSP income. All other households complete this step and go on to H. (If you don't have dependent care costs, subtract $0 and go to H.)* .... − 64
ANSWER = 486

H. Give shelter costs [Round final figure] 303

I. Give shelter standard [Half of G] [Round] ...... − 243

J. **Subtract** I from H 60

- *If I is greater than H, you do not get a shelter deduction, and the answer to G is your monthly FSP income;*

— or —

- *If anyone in your household is 60 or older, or receives SSI or Social Security Disability benefits, go on to step L and use the answer to step J;*

— or —

- *All other households continue to step K.*

K. **Subtract** dependent care costs (if less than $115) from $115. *If you don't have dependent care costs, then subtract zero.*
115 − 64 = 51

L. Put down the answer to J or the answer to K, *whichever is less.* (If someone in your household is elderly or disabled as defined above, put down the answer to J.) .... − 51

M. **Subtract** the answer to L from G .... ANSWER = 435
This is your net monthly FSP income.

69. FOOD STAMP PROGRAM INCOME WORKSHEET FOR HOUSEHOLDS CONTAINING AN ELDERLY, BLIND, OR DISABLED MEMBER

IMPORTANT: Do NOT use this worksheet until you have read the *instructions* (paragraph 67)	Number in household ______ Household resources ______

A. Give gross monthly earned income from work or job training program. *If you don't have any earned income, go to step D.* [Round] .... ANSWER = ______

B. Take 18% of the answer to A. [Round]
______ × .18 = ______ = ______ .... − ______

C. **Subtract** the answer to B from A .... ANSWER = ______

\+ ______

D. **Add** all other monthly income. [Round] .... ANSWER = ______

− ______

E. **Subtract** the standard deduction of $85. .... ANSWER = ______

F. **Subtract** monthly medical expenses over $35 of household members age 60 or older, or who receive SSI or Social Security disability benefits. [Round]
[Total monthly expenses] ______ − $35 = ______ ... − ______
ANSWER = ______

G. **Subtract** monthly dependent care costs up to $115. [Round] .... − ______
ANSWER = ______

H.	Give shelter costs. [Round final figure]	______
I.	Give shelter standard [Half of G]. [Round]	− ______
J.	**Subtract** I from H.	______
	If I is greater than H, you do not get a shelter deduction, and the answer to G is your monthly FSP income.	

K. Put down the answer to J .... − ______

L. **Subtract** the answer to K from G. .... ANSWER = ______
This is your net monthly FSP income.

TO GET YOUR COUPON ALLOTMENT, USE THE CHART ON PAGE 30 OR FOLLOW THE INSTRUCTIONS IN PARAGRAPH 23.

93-366 O—82——27

70. FOOD STAMP PROGRAM INCOME WORKSHEET FOR HOUSEHOLDS NOT CONTAINING AN ELDERLY, BLIND, OR DISABLED MEMBER

IMPORTANT: Do NOT use this worksheet until you have read the *instructions* (paragraph 67)	Number in household ________ Household resources ________

A. Give gross monthly earned income from work or job training program. *If you don't have any earned income, go to step D.* [Round] .... ANSWER = ________

B. Take 18% of the answer to A. [Round]
________ × .18 = ________ = ________ .... − ________

C. **Subtract** the answer to B from A........ ANSWER = ________

+ ________

D. **Add** all other monthly income. [Round]........ ANSWER = ________

− ________

E. **Subtract** the standard deduction of $85........ ANSWER = ________

F. Go on to G.

G. **Subtract** monthly dependent care costs up to $115. [Round] *If your dependent care costs are $115 or more, stop here: the answer to G is your monthly FSP income. All other households complete this step and go on to H. (If you don't have dependent care costs, subtract $0 and go to H.)*........ − ________ ANSWER = ________

H. Give shelter costs. [Round final figure] .... ________

I. Give shelter standard. [Half of G] [Round] ..... − ________

J. **Subtract** I from H. .... ________

- *If I is greater than H, you do not get a shelter deduction, and the answer to G is your monthly FSP income;*

— or —

- *All other households continue to step K.*

K. **Subtract** dependent care costs (if less than $115) from $115. *If you don't have dependent care costs, then subtract zero.*
________ − ________ = ________

L. Put down the answer to J or the answer to K, *whichever is less.* − ________

M. **Subtract** the answer to L from G........ ANSWER = ________ *This is your net monthly FSP income.*

TO GET YOUR COUPON ALLOTMENT, USE THE CHART ON PAGE 30 OR FOLLOW THE INSTRUCTIONS IN PARAGRAPH 23.

COUPON ALLOTMENT CHART January 1, 1981 to September 30, 1982

This chart tells you how many stamps you will receive each month (the coupon allotment). To find your coupon allotment, look at the left side of the chart until you find your monthly net income (income after deductions). Now look across the top and find the column for your household size. The figure shown is your coupon allotment.

EXAMPLE: A five person household has a net monthly income of $312. Look down the chart and find "311.67 to $314.99." Now look across the top and find the column for five-person households. The number shown where the two columns meet is the coupon allotment. It is $183.

Coupon Allotments by Household Size

Monthly Net Income (After Deductions)	One Person	Two Persons	Three Persons	Four Persons	Five Persons	Six Persons	Seven Persons	Eight Persons*
.00 - 1.66	$70	$128	$183	$233	$277	$332	$367	$419
1.67 - 4.99	69	127	182	232	276	331	366	418
5.00 - 8.33	68	126	181	231	275	330	365	417
8.34 - 11.66	67	125	180	230	274	329	364	416
11.67 - 14.99	66	124	179	229	273	328	363	415
15.00 - 18.33	65	123	178	228	272	327	362	414
18.34 - 21.66	64	122	177	227	271	326	361	413
21.67 - 24.99	63	121	176	226	270	325	360	412
25.00 - 28.33	62	120	175	225	269	324	359	411
28.34 - 31.66	61	119	174	224	268	323	358	410
31.67 - 34.99	60	118	173	223	267	322	357	409
35.00 - 38.33	59	117	172	222	266	321	356	408
38.34 - 41.66	58	116	171	221	265	320	355	407
41.67 - 44.99	57	115	170	220	264	319	354	406
45.00 - 48.33	56	114	169	219	263	318	354	405
48.34 - 51.66	55	113	168	218	262	317	352	404
51.67 - 54.99	54	112	167	217	261	316	351	403
55.00 - 58.33	53	111	166	216	260	315	350	402
58.34 - 61.66	52	110	165	215	259	314	349	401
61.67 - 64.99	51	109	164	214	258	313	348	400
65.00 - 68.33	50	108	163	213	257	312	347	399
68.34 - 71.66	49	107	162	212	256	311	346	398
71.67 - 74.99	48	106	161	211	255	310	345	397
75.00 - 78.33	47	105	160	210	254	309	344	396
78.34 - 81.66	46	104	159	209	253	308	343	395
81.67 - 84.99	45	103	158	208	252	307	342	394
85.00 - 88.33	44	102	157	207	251	306	341	393
88.34 - 91.66	43	101	156	206	250	305	340	392
91.67 - 94.99	42	100	155	205	249	304	339	391
95.00 - 98.33	41	99	154	204	248	303	338	390
98.34 - 101.66	40	98	153	203	247	302	337	389
101.67 - 104.99	39	97	152	202	246	301	336	388
105.00 - 108.33	38	96	151	201	245	300	335	387
108.34 - 111.66	37	95	150	200	244	299	334	386
111.67 - 114.99	36	94	149	199	243	298	333	385

* **IMPORTANT:** If you have more than 8 persons in your household, please follow the instructions in paragraph 23.

Income (After Deductions)	One Person	Two Persons	Three Persons	Four Persons	Five Persons	Six Persons	Seven Persons	Eight Persons
115.00 - 118.33	35	93	148	198	242	297	332	384
118.34 - 121.66	34	92	147	197	241	296	331	383
121.67 - 124.99	33	91	146	196	240	295	330	382
125.00 - 128.33	32	90	145	195	239	294	329	381
128.34 - 131.66	31	89	144	194	238	293	328	380
131.67 - 134.99	30	88	143	193	237	292	327	379
135.00 - 138.33	29	87	142	192	236	291	326	378
138.34 - 141.66	28	86	141	191	235	290	325	377
141.67 - 144.99	27	85	140	190	234	289	324	376
145.00 - 148.33	26	84	139	189	233	288	323	375
148.34 - 151.66	25	83	138	188	232	287	322	374
151.67 - 154.99	24	82	137	187	231	286	321	373
155.00 - 158.33	23	81	136	186	230	285	320	372
158.34 - 161.66	22	80	135	185	229	284	319	371
161.67 - 164.99	21	79	134	184	228	283	318	370
165.00 - 168.33	20	78	133	183	227	282	317	369
168.34 - 171.66	19	77	132	182	226	281	316	368
171.67 - 174.99	18	76	131	181	225	280	315	367
175.00 - 178.33	17	75	130	180	224	279	314	366
178.34 - 181.66	16	74	129	179	223	278	313	165
181.67 - 184.99	15	73	128	178	222	277	312	364
185.00 - 188.33	14	72	127	177	221	276	311	363
188.34 - 191.66	13	71	126	176	220	275	310	362
191.67 - 194.99	12	70	125	175	219	274	309	361
195.00 - 198.33	11	69	124	174	218	273	308	360
198.34 - 201.66	10	68	123	173	217	272	307	359
201.67 - 204.99	10	67	122	172	216	271	306	358
205.00 - 208.33	10	66	121	171	215	270	305	357
208.34 - 211.66	10	65	120	170	214	269	304	356
211.67 - 214.99	10	64	119	169	213	268	303	355
215.00 - 218.33	10	63	118	168	212	267	302	354
218.34 - 221.66	10	62	117	167	211	266	301	353
221.67 - 224.99	10	61	116	166	210	265	300	352
225.00 - 228.33	10	60	115	165	209	264	299	351
228.34 - 231.66	10	59	114	164	208	263	298	350
231.67 - 234.99	10	58	113	163	207	262	297	349
235.00 - 238.33	10	57	112	162	206	261	296	348
238.34 - 241.66	10	56	111	161	205	260	295	347
241.67 - 244.99	10	55	110	160	204	259	294	346
245.00 - 248.33	10	54	109	159	203	258	293	345
248.34 - 251.66	10	53	108	158	202	257	292	344
251.67 - 254.99	10	52	107	157	201	256	291	343
255.00 - 258.33	10	51	106	156	200	255	290	342
258.34 - 261.66	10	50	105	155	199	254	289	341
261.67 - 264.99	10	49	104	154	198	253	288	340
265.00 - 268.33	10	48	103	153	197	252	287	339
268.34 - 271.66	10	47	102	152	196	251	286	338
271.67 - 274.99	10	46	101	151	195	250	285	337
275.00 - 278.33	10	45	100	150	194	249	284	336
278.34 - 281.66	10	44	99	149	193	248	283	335
281.67 - 284.99	10	43	98	148	192	247	262	334
285.00 - 288.33	10	42	97	147	191	246	281	333
288.34 - 291.66	10	41	96	146	190	245	280	332
291.67 - 294.99	10	40	95	145	189	244	279	331
295.00 - 298.33	10	39	94	144	188	243	278	330
298.34 - 301.66	10	38	93	143	187	242	277	329
301.67 - 304.99	10	37	92	142	186	241	276	328
305.00 - 308.33	10	36	91	141	185	240	275	327
308.34 - 311.66	10	35	90	140	184	239	274	326
311.67 - 314.99	10	34	89	139	183	238	273	325
315.00 - 318.33	10	33	88	138	182	237	272	324
318.34 - 321.66	10	32	87	137	181	236	271	323
321.67 - 324.99	10	31	86	136	180	235	270	322
325.00 - 328.33	10	30	85	135	179	234	269	321
328.34 - 331.66	10	29	84	134	178	233	268	320

Income (After Deductions)	One Person	Two Persons	Three Persons	Four Persons	Five Persons	Six Persons	Seven Persons	Eight Persons
331.67 - 334.99	10	28	83	133	177	232	267	319
335.00 - 338.33	10	27	82	132	176	231	266	318
338.34 - 341.66	10	26	81	131	175	230	265	317
341.67 - 344.99	10	25	80	130	174	229	264	316
345.00 - 348.33	10	24	79	129	173	228	263	315
348.34 - 351.66	10	23	78	128	172	227	262	314
351.67 - 354.99	10	22	77	127	171	226	261	313
355.00 - 358.33	10	21	76	126	170	225	260	312
358.34 - 361.66	10	20	75	125	169	224	259	311
361.67 - 364.99		19	74	124	168	223	258	310
365.00 - 368.33		18	73	123	167	222	257	309
368.34 - 371.66		17	72	122	166	221	256	308
371.67 - 374.99		16	71	121	165	220	255	307
375.00 - 378.33		15	70	120	164	219	254	306
378.34 - 381.66		14	69	119	163	218	253	305
381.67 - 384.99		13	68	118	162	217	252	304
385.00 - 388.33		12	67	117	161	216	251	303
388.34 - 391.66		11	66	116	160	215	250	302
391.67 - 394.99		10	65	115	159	214	249	301
395.00 - 398.33		10	64	114	158	213	248	300
398.34 - 401.66		10	63	113	157	212	247	299
401.67 - 404.99		10	62	112	156	211	246	298
405.00 - 408.33		10	61	111	155	210	245	297
408.34 - 411.66		10	60	110	154	209	244	296
411.67 - 414.99		10	59	109	153	208	243	295
415.00 - 418.33		10	58	108	152	207	242	294
418.34 - 421.66		10	57	107	151	206	241	293
421.67 - 424.99		10	56	106	150	205	240	292
425.00 - 428.33		10	55	105	149	204	239	291
428.34 - 431.66		10	54	104	148	203	238	290
431.67 - 434.99		10	53	103	147	202	237	289
435.00 - 438.33		10	52	102	146	201	236	287
438.34 - 441.66		10	31	101	145	200	235	286
441.67 - 444.99		10	50	100	144	199	234	285
445.00 - 448.33		10	49	99	143	198	233	284
448.34 - 451.66		10	48	98	142	197	232	284
451.67 - 454.99		10	47	97	141	196	231	283
455.00 - 458.33		10	46	96	140	195	230	282
458.34 - 461.66		10	45	95	139	194	229	281
461.67 - 464.99		10	44	94	138	193	228	280
465.00 - 468.33		10	43	93	137	192	227	279
468.34 - 471.66		10	42	92	136	191	226	278
471.67 - 474.99		10	41	91	135	190	225	277
475.00 - 478.33		10	40	90	134	189	224	276
478.34 - 481.66			39	89	133	188	223	275
481.67 - 484.99			38	88	132	187	222	274
485.00 - 488.33			37	87	131	186	221	273
488.34 - 491.66			36	86	130	185	220	272
491.67 - 494.99			35	85	129	184	219	271
495.00 - 498.33			34	84	128	183	218	270
498.34 - 501.66			33	83	127	182	217	269
501.67 - 504.99			32	82	126	181	216	268
505.00 - 508.33			31	81	125	180	215	267
508.34 - 511.66			30	80	124	179	214	266
511.67 - 514.99			29	79	123	178	213	265
515.00 - 518.33			28	78	122	177	212	264
518.34 - 521.66			27	77	121	176	211	263
521.67 - 524.99			26	76	120	175	210	262
525.00 - 528.33			25	75	119	174	209	261
528.34 - 531.66			24	74	118	173	208	260
531.67 - 534.99			23	73	117	172	207	259
535.00 - 538.33			22	72	116	171	206	258
538.34 - 541.66			21	71	115	170	205	257
541.67 - 544.99			20	70	114	169	204	256
545.00 - 548.33			19	69	113	168	203	255

Income (After Deductions)	One Person	Two Persons	Three Persons	Four Persons	Five Persons	Six Persons	Seven Persons	Eight Persons
548.34 - 551.66			18	68	112	167	202	254
551.67 - 554.99			17	67	111	166	201	253
555.00 - 558.33			16	66	110	165	200	252
558.34 - 561.66			15	65	109	164	199	251
516.67 - 564.99			14	64	108	163	198	250
565.00 - 568.33			13	63	107	162	197	249
568.34 - 571.66			12	62	106	161	196	248
571.67 - 574.99			11	61	105	160	195	247
575.00 - 578.33			10	60	104	159	194	246
578.34 - 581.66			9	59	103	158	193	245
581.67 - 584.99			8	58	102	157	192	244
585.00 - 588.33			7	57	101	156	191	243
588.34 - 591.66			6	56	100	155	190	242
591.67 - 594.99				55	99	154	189	241
595.00 - 598.33				54	98	153	188	240
598.34 - 601.66				53	97	152	187	239
601.67 - 604.99				52	96	151	186	238
605.00 - 608.33				51	95	150	185	237
608.34 - 611.66				50	94	149	184	236
611.67 - 614.99				49	93	148	183	235
615.00 - 618.33				48	92	147	182	234
618.34 - 621.66				47	91	146	181	233
621.67 - 624.99				46	90	145	180	232
625.00 - 628.33				45	89	144	179	231
638.34 - 631.66				44	88	143	178	230
631.67 - 634.99				43	97	142	177	229
635.00 - 638.33				42	86	141	176	228
638.34 - 641.66				41	95	140	175	227
641.67 - 644.99				40	84	139	174	226
645.00 - 648.33				39	83	138	173	225
648.34 - 651.66				38	82	137	172	224
651.67 - 654.99				37	81	136	171	223
655.00 - 658.33				36	80	135	170	222
658.34 - 661.66				35	79	134	169	221
661.67 - 664.99				34	78	133	168	220
665.00 - 668.33				33	77	132	167	219
668.34 - 671.66				32	76	131	166	218
671.67 - 674.99				31	75	130	165	217
675.00 - 678.33				30	74	129	164	216
678.34 - 681.66				29	73	128	163	215
681.67 - 684.99				28	72	127	162	214
685.00 - 688.33				27	71	126	161	213
688.34 - 691.66				26	70	125	160	212
691.67 - 694.99				25	69	124	159	211
695.00 - 698.33				24	68	123	158	210
698.34 - 701.66				23	67	122	157	209
701.67 - 704.99				22	66	121	156	208
705.00 - 708.33				21	65	120	155	207
708.34 - 711.66					64	119	154	206
711.67 - 714.99					63	118	153	205
715.00 - 718.33					62	117	152	204
718.34 - 721.66					61	116	151	203
721.67 - 724.99					60	115	150	202
725.00 - 728.33					59	114	149	201
728.34 - 731.66					58	113	148	200
731.67 - 734.99					57	112	147	199
735.00 - 738.33					56	111	146	198
738.34 - 741.66					55	110	145	197
741.67 - 744.99					54	109	144	196
745.00 - 748.33					53	108	143	195
748.34 - 751.66					53	107	142	194
751.67 - 754.99					51	106	141	193
755.00 - 758.33					50	105	140	192
758.34 - 761.66					49	104	139	191
761.67 - 764.99					48	103	138	190

Income (After Deductions)	One Persons	Two Persons	Three Persons	Four Persons	Five Persons	Six Persons	Seven Persons	Eight Persons
765.00 - 768.33					47	102	137	189
768.34 - 771.66					46	101	136	188
771.67 - 774.99					45	100	135	187
775.00 - 778.33					44	99	134	186
778.34 - 781.66					43	98	133	185
781.67 - 784.99					42	97	132	184
785.00 - 788.33					41	96	131	183
788.34 - 791.66					40	95	130	182
791.67 - 794.99					39	94	129	181
795.00 - 798.33					38	93	128	180
798.34 - 801.66					37	92	127	179
801.67 - 804.99					36	91	126	178
805.00 - 808.33					35	90	125	177
808.34 - 811.66					34	89	124	176
811.67 - 814.99					33	88	123	175
815.00 - 818.33					32	87	122	174
818.34 - 821.66					31	86	121	173
821.67 - 824.99						85	120	172
825.00 - 828.33						84	119	171
828.34 - 831.66						83	118	170
831.67 - 834.99						82	117	169
835.00 - 838.33						81	116	168
838.34 - 841.66						80	115	167
841.67 - 844.99						79	114	166
845.00 - 848.33						78	113	165
848.34 - 851.66						77	112	164
851.67 - 854.99						76	111	163
855.00 - 858.33						75	110	162
858.34 - 861.66						74	109	161
861.67 - 864.99						73	108	160
865.00 - 868.33						72	107	159
868.34 - 871.66						71	106	158
871.67 - 874.99						70	105	157
875.00 - 878.33						69	104	156
878.34 - 881.66						68	103	155
881.67 - 884.99						67	102	154
885.00 - 888.33						66	101	153
888.34 - 891.66						65	100	152
891.67 - 894.99						64	99	151
895.00 - 898.33						63	98	150
898.34 - 901.66						62	97	149
901.67 - 904.99						61	96	148
905.00 - 908.33						60	95	147
908.34 - 911.66						59	94	146
911.67 - 914.99						58	93	145
915.00 - 918.33						57	92	144
918.34 - 921.66						56	91	143
921.67 - 924.99						55	90	142
925.00 - 928.33						54	89	141
928.34 - 931.66						53	88	140
931.67 - 934.99						52	87	139
935.00 - 938.33						51	86	138
938.34 - 941.66							85	137
941.67 - 944.99							84	136
945.00 - 948.33							83	135
948.34 - 951.66							82	134
951.67 - 954.99							81	133
955.00 - 958.33							80	132
958.34 - 961.66							79	131
961.67 - 964.99							78	130
965.00 - 968.33							77	129
968.34 - 971.66							76	128
971.67 - 974.99							75	127
975.00 - 978.33							74	126
978.34 - 981.66							73	125

Income (After Deductions)	One Person	Two Persons	Three Persons	Four Persons	Five Persons	Six Persons	Seven Persons	Eight Persons
981.67 - 984.99							72	124
985.00 - 988.33							71	123
988.34 - 991.66							70	122
991.67 - 994.99							69	121
995.00 - 998.33							68	120
998.34 -1001.66							67	119
1001.67 -1004.99							66	118
1005.00 -1008.33							65	117
1008.34 -1011.66							64	116
1011.67 -1014.99							63	115
1015.00 -1018.33							62	114
1018.34 -1021.66							61	113
1021.67 -1024.99							60	112
1025.00 -1028.33							59	111
1028.34 -1031.66							58	110
1031.67 -1034.99							57	109
1035.00 -1038.33							56	108
1038.34 -1041.66							55	107
1041.67 -1044.99							54	106
1045.00 -1048.33							53	105
1048.34 -1051.66							52	104
1051.67 -1054.99								103
1055.00 -1058.33								102
1058.34 -1061.66								101
1061.67 -1064.99								100
1065.00 -1068.33								99
1068.34 -1071.66								98
1071.67 -1074.99								97
1075.00 -1078.33								96
1078.34 -1081.66								95
1081.67 -1084.99								94
1085.00 -1088.33								93
1088.34 -1091.66								92
1091.67 -1094.99								91
1095.00 -1098.33								90
1098.34 -1101.66								89
1101.67 -1104.99								88
1105.00 -1108.33								87
1108.34 -1111.66								86
1111.67 -1114.99								85
1115.00 -1118.33								84
1118.34 -1121.66								83
1121.67 -1124.99								82
1125.00 -1128.33								81
1128.34 -1131.66								80
1131.67 -1134.99								79
1135.00 -1138.33								78
1138.34 -1141.66								77
1141.67 -1144.99								76
1145.00 -1148.33								75
1148.34 -1151.66								74
1151.67 -1154.99								73
1155.00 -1158.33								72
1158.34 -1161.66								71
1161.67 -1164.99								70
1165.00 -1168.33								69

INDEX 1

This index is laid out in the same order as the paragraphs in this book. (Index 2, which follows, lists the topics in this *Guide* in alphabetical order.) The column marked *Code of Federal Regulations* shows the USDA regulations that apply to the information in the paragraph. The column marked *U.S. Code* shows the section of the Food Stamp Act that applies. Under the column marked *State FSP Manual*, you should fill in the section of your state's FSP manual that has the same provision as the USDA regulation.

Most of the regulations shown below were first published in the *Federal Register* on October 17, 1978, though a few of the regulations appeared in the Federal Register on September 22, 1978. Most of the regulations can be found in Title 7 of the Code of Federal Regulations, Parts 210 to 299 (revised as of Jan. 1, 1981). You can write to FRAC for a list of regulations published since that date. There is also one reference to USDA's Food Stamp Certification Handbook, which some states have used as a model for their state FSP manual. You can get a copy of the Food Stamp Act, the Food Stamp Certification Handbook, and the Federal regulations by writing to: United States Department of Agriculture, Food and Nutrition Service, 3101 Park Center Drive, Alexandria, VA 22302. When you write them, also ask to be put on their mailing list to get copies of future regulations as they are issued.

PARAGRAPH NUMBER AND TITLE	CODE OF FEDERAL REGULATIONS	U.S.CODE	STATE FSP MANUAL
1. The Food Stamp Program	7 C.F.R.§270 *et seq.*	7 U.S.C. §2011 *et seq.*	
• states run FSP	§271.4	§2013(a); §2020	
• financing	§277	§2025(a)	
• states follow USDA rules	§272.2	§2020(a)	
2. What Are Food Stamps?			
• definition of eligible food	§271.2	§2012(g)	
• use of stamps in Alaska	§274.10(e)		
3. Use of food stamps	§274.10	§2016(b)	
• definition of retail store	§271.2	§2012(k)	
• meals-on-wheels	§274.10(b)	§2012(g)	
• group meals for elderly	§274.10(c)	§2012(g)	
4. Definition of household	§273.1	§2012(i)	
5. More than one household	§273.1 (a)		
6. SSI and PA recipients			
• SSI recipients in "cash-out" states	§273.1(b)(4)		
7. Eligibility Requirements		§2014	
• income	§273.9	§2014(c)	
• resources	§273.8	§2014(g)	
• work requirement	§273.7	§2015(d)	
9. Resources	§273.8	§2014(g)	
• definition	§273.8(c)		
• exclusions	§273.8(e)		
• resources of disqualified member	§273.11(c)(1)		
10. Amount of Resources Allowed	§273.8(b)	§2014(g)	
11. Jointly Held Resources	§273.8(d)		
12. Licensed vehicles	§273.8(h)	§2014(g)	
• vehicles totally excluded	§273.8(h)(l)		
• fair market value test	§273.8(h)(2)		
• equity value test	§273.8(h)(3)		
• adding value of two cars together	§273.8(h)(2)		
• use of blue book value	FNS Handbook 300 §4144.4		
13. Transfer of resources	§273.8(i)	§2015(h)	
• allowable transfers	§273.8(i)(2)		
14. Income	§273.9	§2014	
• definition	§273.9(b)	§2014(d)	
• exclusions	§273.9(c)	§2014(d)	
15. Predicting Income			
• income not counted if not anticipated	§273.10(c)(1)(i)		
• income averaging	§273.10(c)(3)		
16. Income on monthly basis	§273.10(c)(2)(i)		
17. Self-employed people	§273.11(a)	§2014(f)	
• averaging income over year	§273.11(a)(1)		
• deductions for cost of business	§273.11(a)(4)		
18. Figuring monthly income for elderly, blind and disabled	§273.9(d)	§2014(e)	
• work deduction	§273.9(d)(2)		
• standard deduction	§273.9(d)(1)		
• dependent care	§273.9(d)(4)		
• shelter costs	§273.9(d)(5)		
• unlimited shelter deduction	§273.9(d)(5)		
• medical deduction	§273.9(d)(3)		
19. Maximum income standards for elderly, blind and disabled	§273.9(a)(2) *Federal Register* 5/22/81	§2014(c)	
20. Figuring gross monthly income for those who are not elderly, blind or disabled	§273.10(e)(2)(i)(B)		
21. Maximuse income standards for those who are not elderly, blind or disabled	§273.9(a)(1) Appendix A *Federal Register* 9/4/81		

PARAGRAPH NUMBER AND TITLE	CODE OF FEDERAL REGULATIONS	U.S.CODE	STATE FSP MANUAL
22. Figuring monthly benefits for those who are not elderly, blind or disabled			
• work deduction	§273.9(d)(2)		
• standard deduction	§273.9(d)(1)		
• dependent care deduction	§273.9(d)(4)		
• shelter costs	§273.9(d)(5)		
• $115 limit on dependent care/shelter deduction	§273.9(d)(5)		
23. Amount of coupon allotment	§273.10(e)(2)(ii)	§2017(a)	
• coupon allotment schedule	*Federal Register* 5/22/81		
24. Coupon allotment for first month	§273.10(a)(1)		
• prorating procedures			
25. Free food stamps			
26. The Work Registration and Job Search Requirement	§273.7	§2015(d)	
27. Who Must Register	§273.7(a)	§2015(d)	
• exemptions	§273.7(b)	§2015(d)(2)	
28. Suitable Employment	§273.7(i)	§2015(d)(1)	
• continuation of employment	§273.7(e)(5)		
29. Responsibilities under Job Search Requirement	§273.7(f)	§2015(d)(1)	
30. Failure to comply	§273.7(g)		
• disqualification period	§273.7(g)		
• good cause	§273.7(m)		
• voluntary quit	§273.7(n)		
• ending disqualification	§273.7(h)		
31. Applying for the FSP	§273.2	§2020(e)(2)	
• right to get application form	§273.2(c)(2) & (3)		
• right to file same day	§273.2(c)(2)(i)		
• right to file incomplete form	§273.2(c)(1)		
• right to receive and submit application by mail	§273.2(c)(1)&(2)		
• contacting the wrong office	§273.2(c)(2)(ii)		
• joint PA/GA application	§273.2(j)		
• joint SSI application	§273.2(k)		
32. After You File			
• 30 days rule	§273.2(g)	§2020(e)(3)	
• interview requirement	§273.2(e)(1)		
33. What Happens the Interview			
• documentary evidence	§273.2(f)(4)(i)		
• collateral contacts	§273.2(f)(4)(ii)		
• permission to make collateral contact	§272.1(c)		
• home visit	§273.2(f)(4)(iii)		
• help in getting verification	§273.2(f)(5)(i)		
• refusal to cooperate	§273.2(d)		
• required verification	§273.2(f)(1)		
• verification of liquid resources/loans	§273.2(f)(3)		
• questionable information	§273.2(f)(2)		
• 10 days to get verification	§273.2(h)(1)(C)		
• right to be told about questionable information	§273.2(f)(4)(iv)		
34. Authorized Representatives	§273.1(f)	§2020(e)(7)	
35. Interviews Outside Office	§273.2(e)(2)	§2020(e)(2)	
36. Emergency service	§273.2(i)	§2020(e)(9)	
• right to emergency service	§273.2(i)(1)		
• definition of destitute	§273.10(e)(3)		
• limited verification	§273.2(i)(4)		
• time limits	§273.2(i)(3)(i)		
37. Finding Out About Your Application			
• notice of eligibility	§273.10(g)(1)(i)		
• notice of denial	§273.10(g)(1)(ii)		
• identification cards	§273.10(g)(4)		
• photo on ID card	§273.10(g)(4)(ii)		
38. Bilingual requirements	§272.4(c)	§2020(e)(1)	
39. Issuance Systems	§274.2(a)		
40. Certification Periods	§273.10(f)	§2012(c)	
• longest certification period possible/3 month minimum	§273.10(f)(3)		
• notice of expiration	§273.14(b)		
• right to uninterrupted benefits	§273.14(c)	§2020(e)(4)	
41. Reporting Changes	§273.12	§2015(c)	
• 10 day report rule	§273.12(a)(2)		
• what must be reported	§273.12(a)(1)(i)		
• report form	§273.12(b)		
42. 60 Day Continuation of Benefits	§273.19		
43. Fair Hearings	§273.15	§2020(e)(10)	
• right to fair hearing	§273.15(a)		
• hearing official/impartiality	§273.15(m)		

PARAGRAPH NUMBER AND TITLE	CODE OF FEDERAL REGULATIONS	U.S.CODE	STATE FSP MANUAL
44. Fair Hearing Rights	§273.15(p)		
45. Two Kinds of Hearings	§273.15(b)		
• time limits for one level hearing system	§273.15(c)(1)		
• local hearing within 15 days	§273.15(c)(2)		
• 15 days to appeal local hearing	§273.15(q)(4)		
• state review within 45 days	§273.15(c)(3)		
• hearing comply with Federal law	§273.15(q)(1)		
46. How To Ask for Hearing			
• request orally or in writing/in person thru representative	§273.15(h)		
• 10 day notice	§273.15(1)		
• right to postpone for 30 days	§273.15(c)(4)		
• denial/dismissal of hearing	§273.15(j)		
• time in which to ask for hearing	§273.15(g)		
47. Notice of Adverse Action	§273.11	§2020(e)(10)	
• 10 day notice required	§273.11(a)(1)		
• what notice must say	§273.11(a)(2)		
48. Benefits Continued Pending Hearing	§273.15(k)	§2020(e)(5)	
• right to continued benefits	§273.15(k)(1)		
• certification period ends	§273.15(k)(2)(i)		
• benefits stop if local hearing lost	§273.15(r)(1)		
49. Winning The Hearing			
• local hearing in favor of household	§273.15(r)(2)		
• state hearing in favor of household	§273.15(s)(1)		
• right to restored benefits	§273.17(a)		
50. Losing the Hearing			
• local hearing against household	§273.15(r)(1)		
• state hearing against household	§273.15(s)(2)		
• repayment voluntary	§273.18(b)(3)(ii); §273.18(e)(2)		
51. Food Stamp Office Mistakes			
• underissuance/right to retroactive benefits	§273.17(a)	§2020(e)(11)	
• overissuance/fault of food stamp office	§273.18(a)(5),(6)&(7)		
• repayment of overissuance voluntary	§273.18(b)(3)(ii); §273.18(e)(2)		
52. Fraud	§273.16	§2015(b)	
• one or two level fraud hearing	§273.16(d)(2)(i)		
• advance notice of hearing	§273.16(d)(3)		
• 30 day postponement	§273.16(d)(2)(iv)		
53. Definition of fraud	§273.16(b)		
54. Fraud Hearing			
• household's rights	§273.16(d)(3)(i)(F)		
• burden of proof on state	§273.16(d)		
55. Losing the Fraud Hearing			
• disqualification for 3 months	§273.16(a)	§2015(b)	
• repayment mandatory	§273.18(e)(2)		
56. Being Taken to Court for Fraud			
• court ordered disqualifications	§273.16(e)(1)	§2015(b)	
• referral for prosecution	§273.16(e)(2)		
57. Roomers	§273.1(a)(2)(iv)	§2012(i)	
58. Boarders	§273.1(c)		
59. Income From Boarders	§273.11(b)(1)(i)		
60. Citizenship	§273.4	§2015(f)	
61. Students			
• eligibility	§273.5	§2015(e)	
• work requirement exemption	§273.7(b)(9)	§2015(e)	
62. Strikers	§273.1(g)		
63. Drug addicts/alcoholics	§273.1(e)(2);273.11(e)	§2012(i)	
• battered women and children	§273.1(e)(4); 273.11(g)		
64. Deductions For Outlying States and Territories	*Federal Register* 5/22/81		
65. Stolen, destroyed or lost stamps or ATP card	§273.11(b);§274.2(h);§274.3(c)		
66. Replacement of destroyed food	§273.11(h)(6)		
67. Computing Food Stamp Coupon Allotment	§273.10(e)		

INDEX 2

This index lists the topics in this book in alphabetical order. Index 1 lists the topics in the order in which they appear in this book, and also provides a reference to the USDA regulations and the Food Stamp Act.

INDEX 3

[1] Once regulations become final, parents who are receiving SSI or Social Security disability payments may be a household separate from their children residing with them.

[2] Once regulations become final, fraud will include acts of deliberate misrepresentation.

[3] Once regulations become final, the disqualification penalties for persons found guilty of fraud by either a court or after an administrative hearing will be the same. The individual found guilty of fraud will be disqualified for six months for the first offense, one year for the second offense, and permanently for the third offense.

[4] Once regulations become final, which will probably occur this summer, households will be required to repay non-fraud overissuances (except when the food stamp office caused the overissuance) as well as fraud overissuances.

[5] See footnote 1.

[6] New rules will probably become final in the summer changing the procedures for determining the value of licensed vehicles to be counted as a resource.

[7] New rules will probably become final in the summer which will exclude state and local energy assistance as income only under certain circumstances. Federal energy assistance payments will continue to be excluded as income in all cases.

[8] Beginning July 1, 1982, the Commonwealth of Puerto Rico will receive federal funds to devise their own Food Stamp Program. Puerto Rico will no longer operate their FSP under the procedures found in this *Guide*.

[9] Once regulations become final, a household member will be exempt from work registration requirements if they must care for a child under six years of age.

[10] Once regulations become final, a household member may refuse a job if they care for a child age 6 through 11 and adequate child care is lacking.

[11] Once final regulations are published, a household will be disqualified for two months if this household member quits a job without good cause while participating in the FSP.

[12] Once final regulations are published, all household members will be required to furnish Social Security numbers.

[13] Once a final rule is published, the procedures to continue to receive food stamps if you move will no longer apply.

[14] If you lose a hearing and continued to receive food stamps while the hearing was pending, the food stamps you received, which you were not entitled to under the hearing decision is a non-fraud overissuance. Beginning probably late this summer, after final rules are published, you will have to repay non-fraud overissuance.

[15] See footnote 8.

[16] Once final regulations are published, the food stamp office can prove fraud by showing that a person intentionally made a false or misleading statement, misrepresented, concealed, or withheld facts, or committed any act which could be a violation of a state law relating to the use of food stamps.

[17] See footnote 3.

[18] See footnote 3.

SUGGESTIONS FOR LOCAL ACTION

As we said at the beginning of this booklet, FRAC believes that the FSP will work well only where low-income people and their advocates know their rights and can enforce them. Now that you know the law, here are some suggestions for local action:

1. **Organize Food Stamp Campaigns**

A Food Stamp Campaign can accomplish many different things in your community. One aim is to make sure that everyone who is eligible for food stamps can get them. In addition, campaigns can help low-income people learn how the program should operate. People who know their rights are in a much better position to deal with the FSP, and get the benefits they're entitled to.

While techniques for Food Stamp Campaigns can vary a great deal from one community to another, the general idea is to publicize the FSP so that potentially eligible people can learn about it, focusing attention on those eligible and how they can apply. Techniques for publicity include public service ads on T.V. and radio; newspaper stories; posters in stores; asking grocery stores to mention food stamps in their ads; leaving signs and information in places where low-income people go (like churches, shopping centers, factories, hospitals and clinics, housing projects, laundromats, etc.); and getting public officials or well known people to issue statements encouraging people to use food stamps.

Other techniques used in Food Stamp Campaigns include: leafleting—directly approaching people with information on the street, in stores, or at the FSP office; door-knocking campaigns—actually going door to door to reach hard-to-find people; and pre-screening sessions—meetings where the eligibility rules are explained and people find out if they're eligible. Any of these techniques, or a combination of them, can be effective in helping people through the whole process of applying for and getting food stamps.

2. **Organize Recipients and Potential Recipients**

When the FSP is not working the way it should in your community, one way to correct the problem is to organize with the people who are affected. One person acting alone is often ignored, but many people working together can get something done. Mass actions (like demonstrations or pickets at the food stamp office) are often very effective in changing attitudes and removing roadblocks to proper FSP operation, in addition to helping to get FSP officials in a position to negotiate fairly with you and your allies.

The FSP is a good issue to rally people to action, whether your purpose is a general effort to increase participation or a group effort to tackle a specific problem. In any case, it is important to get as much support as possible from other organizations, and to make good use of the newspapers, T.V., and radio.

3. **Monitor the FSP and Document Violations**

Sometimes local officials fail to follow the law because they are not familiar with it. Other times local officials refuse to change their actions even when they know the law is being violated. To make sure that the law is followed, it is important to monitor the operation of the local FSP to see if the Federal law and the state FSP manual are being followed. When you find that the law is not being obeyed, document this fact with a letter to the local FSP official, saying that the law was violated and when the violation occurred (be sure to include the number of the Federal regulation or section of the state FSP manual that is involved). Send copies of your letter to the state officials who are in charge of the FSP. If the violations are not corrected, write a letter to the Department of Agriculture, and ask them to enforce the law. Write to Deputy Administrator for Family Food Programs, Food and Nutrition Service, United States Department of Agriculture, Washington, D.C. 20250. Also send copies of your letter to FRAC.

4. **Get Outside Help**

Sometimes outside help is necessary to assist you in organizing for local action, and getting violations of the law corrected. If you need assistance, please contact FRAC and let us know how we can help. We will try to assist you, or put you in touch with someone in your state or region that can provide you with assistance. If you want to be placed on FRAC's mailing list to receive information about the FSP (or other Federal food programs), see details on the back cover of this *Guide*.

Materials from the
Food Research and Action Center

FRAC distributes periodic mailings with information on the food programs and related issues. In addition, we publish program *Guides* that explain the programs in easily-understood fashion. There is a charge of $15.00 to be placed on the mailing list to receive periodic mailings on program changes, developing issues, and all new *Guides. All materials are free to those individuals and groups unable to afford the price.*

- **FRAC's Guide to Quality School Lunch and Breakfast Programs** describes these child nutrition programs; outlines methods of organizing a school breakfast campaign; and discusses ways of improving meal quality; March 1982; $2.00.
- **Guide to Welfare Reform** raises the various issues that must be considered in reforming the welfare system; discusses past reform efforts; introduces the major governmental players and interest groups; reviews the prospects for 1979 and beyond; and contains a detailed bibliography; March 1979 (88 pages); $3.00.
- **FRAC's Profile of the Federal Food Programs,** a short pamphlet describing FRAC and outlining the seven major government food programs; January 1982; single copies free (additional copies, $.50 each).
- **FRAC's Guide to the Food Stamp Program,** detailing program operation in a simple, question-and-answer format; January 1982; $2.00.
- **FRAC—Guía Para El Programa De Cupones Para Alimentos,** Spanish version of FRAC's Guide to the Food Stamp Program; To be revised in 1982.
- **The Supplemental Food Program for Women, Infants and Children (WIC): A Success Story,** a synopsis of each of the major medical evaluation studies done on the WIC program showing the positive effects of WIC on pregnancy outcome, growth, and incidence of anemia among WIC participants; June 1981; $.50.
- **Food and Nutrition Issues in The Food Stamp Program,** a thorough look at the nutritional and health aspects of the Food Stamp program, shopping patterns of Food Stamp shoppers, and positive economic impact of the Food Stamp Program; June 1981; $.75.

For these materials or other assistance, contact:

FRAC
Food Research and Action Center
1319 F Street, N.W.
Washington, D.C. 20004
(202) 393-5060

(EXHIBIT C)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

OFFICE OF THE ASSISTANT SECRETARY
FOR POLICY DEVELOPMENT AND RESEARCH

FEB 24 1982

IN REPLY REFER TO:

MEMORANDUM FOR: Philip Abrams, General Deputy Assistant Secretary for Housing, HD
John Knapp, General Counsel, G
Stephen May, Assistant Secretary for Legislation and Congressional Relations, LCR
Judith Tardy, Assistant Secretary for Administration, A

FROM: E. S. Savas

SUBJECT: Tenant impacts of recent policy changes

During final negotiations on HUD's FY 1983 budget, the Department agreed that the minimum contribution by tenants assisted under the housing subsidy programs would be increased to an amount at least equal to the estimated cost of all utilities. This program modification results from widespread concern over so-called "negative rents." "Negative rent" is a term used to describe situtations which occur in HUD-assisted housing when tenants are directly billed for some or all utilities and their utility allowance exceeds their percentage-of-income rent charge. Under the voucher program, for instance, the minimum tenant contribution would be set at the higher of 30 percent of adjusted income or 10 percent of the tenant's gross income. If utilities for the tenant's unit are separately metered and the utility allowance (estimated utility cost) for the unit exceeds the minimum tenant contribution, the following occurs: the tenant pays no rent to the landlord, pays all of the cost of the separately metered utilities, and receives a check back to cover the estimated amount by which utilities exceed the tenant's required rent contribution. The term "zero rent" rather than "negative rent" would be more descriptive of the fact that the few tenants caught in these circumstances are paying no rent to the landlords. In actuality, negative rent cannot exist under current rules if utilities are considered to be a legitimate part of housing costs.

When the proposal was first made within the Department to eliminate "negative rents," OGC was concerned that such a rule would be difficult to defend on grounds of equity, since for two tenants using the same amount of utilities in the same PHA, but residing in projects with and without individual metering, respectively, one tenant would be subject to potentially large increases in rent while the other would be totally unaffected. An attempt was made to produce "rough equity" by proposing that the minimum assisted housing tenant rent contribution would be at

least equal to the total estimated utility cost for a unit, whether those utilities are paid by the landlord or d rectly by the tenant to the utility company. Leaving aside the enormous administrative burden which this change could impose on PHAs (separate ut ty schedules for apartments facing north? hearings for d sgruntled tenants who are frugal in their use of utilities?), there are more fundamental issues associated with the proposed change. Our analysis indicates that this proposal would lead to substantial differentials in the depth of subsidy provided to tenants of assisted housing programs, both across regions and among tenants in a particular project or PHA. The policy will disadvantage tenants in the lowest ncome groups, those in high-cost utility areas, and those living in energy-inefficient buildings.

The attached tables show that some families could be required to to pay in excess of 50 percent of their adjusted income to live in HUD-assisted housing. In Boston, for stance 68 percent of all tenants would be required to pay a rent h gher than that mandated after the 1981 rent increases have been fully mplemented. About 40 percent of all Boston tenants would be required to pay 50 percent or more of their income if the minimum rent s set at the average PHA utility charge. Boston and a few others ke t are extreme cases, since for many PHAs, especially those with mild climates, the impact would be negligible. The point is that "Bostons" do exist, and that this type of impact was not the intent of the proposal and is not likely to be well-received in Congress.

At the same time that these inequities across regions and tenant income levels are being produced, two other sets of policy changes now underway could have equally significant impacts. One is the proposal to permit HUD to count food stamps as income for HUD rent calculations, and the other is a recent legislative change which gives States the option of counting HUD assistance and food stamps as duplicative of the food and shelter portions of the AFDC grant. Counting food stamps as ncome most everely affects the lowest income, those with largest families, and those who are living in areas where the value of food stamps is large relative to the level of AFDC benefits. (In some States, the Federally-established food stamp benefits exceed the State-determined AFDC allotment). Meanwhile, full State implementation of the AFDC program option to count both food stamps and HUD assistance as income could result in a 60 to 65 percent drop n AFDC benefits. It is thus conceivable that a "30 percent of income" tenant rent charge could exceed a household's cash income. The Department will not be allowed to ignore the effects of the recent AFDC changes in setting its own rent policies; critics are already suggesting that in some Southern States HUD tenants will have to pay part of their rent with food stamps!

We recommend two courses of action at this time. First, we believe that it would be appropriate to consider reopening with OMB the issue of sending checks to tenants for excess utility costs. The negative rent issue was of doubtful significance and, in any event, affected only a small percentage of tenants. The proposed cure is much worse than the malady it was designed to correct, and will produce extreme situations which will be difficult to defend in Congress. Second, we believe that OGC, Housing, and PD&R should begin a structured discussion of the interaction of proposed Federal agency changes with respect to tenants served under HUD subsidy programs. Proposals to count food stamps as income under AFDC programs as well as other program changes could have unintended and, from the point of view of the households affected, disastrous consequences unless a greater degree of Federal oversight is exercised at this time.

The long-term outcome of a failure to face these problems squarely may be to undermine the credibility of the Administration's overall "Federalism" initiative. Use of exceptional "extremes" by opponents could have detrimental effects far beyond the effects of compromises necessary to ameliorate the problems raised by these proposals. If you are to take action in this direction, we need to move quickly.

Percentage of Adjusted Income
Required for Rent in the Public Housing Program
Program If the Minimum Rent Rule Includes Utilities

Adjusted Income:	$1500	$2500	$3500	$5000	$7000
PHA:					
Atlanta	60%	36%	30%	30%	30%
Boston	118%	71%	51%	35%	30%
Buffalo	58%	35%	30%	30%	30%
Columbus	41%	30%	30%	30%	30%
Dallas	34%	30%	30%	30%	30%
Denver	41%	30%	30%	30%	30%
Hartford	87%	52%	37%	30%	30%
Louisville	49%	30%	30%	30%	30%
Peoria	45%	30%	30%	30%	30%
Phoenix	37%	30%	30%	30%	30%
St. Louis	55%	33%	30%	30%	30%
Salt Lake	30%	30%	30%	30%	30%
San Antonio	30%	30%	30%	30%	30%

SOURCE: 1980-81 utility consumption data.

PD&R
2/22/82

Impacts on Public Housing Tenants of Establishing Utilities
as an Additional Minimum Rent Criterion
(1980-1981 Data)

PHA	1980-1981 Average Tenant Income*	Average Actual Rent	Estimated Average Tenant Rent Under 1981 Rules	Average Monthly Utilities**	Break-Even Adjusted Income***	Percent Tenants Affected by Utility Rule
Northeast						
Boston	5480	89.00	125.00	147.48	5900	68%
Buffalo	5520	90.00	126.00	71.88	2875	14%
Hartford	5340	87.00	121.00	109.11	4365	50%
New York	8780	143.00	207.00	106.80	4270	30%
South						
Atlanta	3310	54.00	70.00	75.29	3010	60%
Dallas	3130	51.00	66.00	42.19	1690	17%
Louisville	3380	55.00	72.00	61.44	2460	40%
San Antonio	4110	67.00	90.00	37.54	1500	5%
North Central						
Columbus	3805	62.00	83.00	51.18	2045	16%
Detroit	4910	80.00	110.00	82.34	3295	33%
Peoria	3870	63.00	84.00	56.82	2275	20%
St. Louis	4600	75.00	103.00	68.27	2730	21%
West						
Denver	4170	68.00	92.00	50.88	2035	11%
Los Angeles	6380	104.00	147.00	24.73	990	0%
Phoenix	3680	60.00	80.00	46.12	1845	13%
Salt Lake City	4110	67.00	90.00	20.59	825	1%

* Median incomes are generally significantly less.

** This amount includes only PHA-paid utilities, which covers most utility costs for most tenants. Omission of tenant-paid utilities, however, understates actual utility cost.

*** 30% of adjust income equals utility charge.

F:SR
2/22/82

Question 3. You oppose the proposal to permit public housing authorities to use development funds for modernization purposes. Would you also oppose limiting that option to modernizing units that were presently uninhabitable and vacant?

Answer. We would not oppose the use of development funds for modernizing units that are presently vacant and uninhabitable, as long as there are safeguards to ensure that the units are truly uninhabitable and that the PHA does not deliberately vacate the building in order to use the development funds for modernization purposes.

Question 4. The Department is presently reviewing the utility allowance provisions for the public housing program where the utility costs are paid directly by the tenant and not included in their rent. What is your position on the existing regulations and what principles should be included in any revised proposals?

Answer. The short answer to the question is that the existing regulations are adequate and should be retained. Overall, they provide for a reasonable utility allowance so that low-income tenants continue to be able to afford to live in public housing and they take into consideration reasonable conservation objectives.

The utility allowance issue for public housing is enormously complex. Utilities in any given public housing project can be mastermetered, mastermetered with individual check meters to determine individual consumption (in this case, the PHA pays the utility bill and surcharges the tenants for excess consumption), and individually metered (i.e., each tenant contracts directly with the utility company). For any given project, some utilities can be mastermetered and others retail metered. The mix of utilities also varies from all-electric to electric, gas, and heating fuel. The types of utilities that must be paid for vary. Electricity, gas and heating fuel are the obvious utilities. But trash and garbage collection, and water and sewage must also be considered utilities, and included in rent.

Finally, the rate structure varies from area to area and utility to utility. And the amount of utilities consumed varies, especially in the case of heat-related utilities, depending upon the geographic location of the unit (a northern state or a southern state), the position of the unit in the building (north corner, top floor, etc.), and the degree of insulation, weather-stripping, etc.

Despite the complexity of the utility allowance issue, HUD has developed regulations which take into consideration all of these factors, and has come up with a system that is equitable for the tenants, PHAs and HUD. The existing regulations define what is to be included in utility costs. They establish reasonable allowances for check metered and individually metered tenants. For check metered tenants, the allowance is set so that 90 percent (90%) of the tenants pay no utility surcharge. For individually metered tenants, the allowance is set at average consumption. No allowance is required for tenants in mastermetered projects. The rationale for setting different allowances for tenants, depending upon the metering system, is that in the case of mastermetered projects, there is no way to determine individual consumption; in the case of individually metered tenants, HUD balanced the objective of encouraging conservation and ensuring that the total cost of the allowance to the PHA is equal to the total amount of the utility bills for all individually metered tenants. In the case of check metered tenants, HUD also wanted to control the PHA's cost and preserve a conservation incentive. 45 Fed. Reg. 59,503 (September 9, 1980). These differences are justified as reasonable in light of the three differing metering systems, which make it infeasible to provide "literal similarity" and the conflicting policy objectives of reasonable shelter costs for low-income tenants, conservation, equity amongst public housing tenants nationwide, and minimizing costs to the PHAs.

The existing regulations further provide that the allowances must be set depending upon the individual characteristics of the unit and actual utility consumption. Periodic adjustments of the allowances are required so as to reflect utility rate changes, utility consumption and conservation efforts. Individual relief is available for tenants for excess consumption for reasons beyond the control of the tenant, such as a defective meter, unrepaired broken window, etc.

The need for public housing utility regulations has been recognized even by HUD, which has admitted that "many PHAs will not systematically establish utility allowances or revise allowances unless required by court order or by HUD." Calendar of Federal Regulations, 47 Fed. Reg. 1,872 (January 13, 1982). The existing regulations published in September 1980 represent the first revision of HUD policy on utility allowances since 1963. The existing regulations should be retained because they were promulgated after a lengthy review for a period of at least three (3) years of over 200 comments and included the review of significant data. They provide for a healthy compromise between tenant, PHA and HUD objectives. Any formula for establishing utility allowances that HUD may propose which is less specific will not

suffice for it represents a thinly veiled attempt by HUD to pass the buck to PHAs who are incapable of establishing the statutorily required standard because of the lack of expertise. HUD's impetus to pass the buck is clear. In the summary of benefits to be derived from the new regulations is the statement that HUD believes that it "will benefit . . . by reduced liability if tenants should institute suit." 47 Fed. Reg. 1,872.

Question 5. Apropos of your critical comments on the rental production stimulus included in H.R. 5731, do you believe that there is a rental housing problem in the Nation that goes beyond merely low income? If so, do you believe it should be ignored by this committee? And finally, are you saying that the Law Project will not support any housing assistance program unless it is limited to the lowest income families?

Answer. We recognize that there is a shortage of rental housing in the nation and that the shortage places burdens upon those who are not poor as well as the poor. However, we cannot ignore the fact that the people who are most severely burdened by the scarcity of housing and who are in the most desperate straits are the poor, not those whose incomes are higher and who are better able to cope. People with incomes above 80% of the median are not sleeping in their cars, are not sleeping in the streets, are not doubling and tripling up with families in houses designed for households one-third their size, and are not paying 50% and more of their incomes for rent. We see the value of helping all who cannot afford decent housing, but we do not believe that scarce resources should be diverted to aid middle-income people while vast numbers of poor people whose needs are many times greater are left out in the cold. Thus, until the housing needs of the poor are met, we will not support housing assistance programs which divert resources to middle-income people.

Housing industry groups which only last December supported present economic policy in testimony before your Subcommittee are now clamoring for bailouts. The programs those groups are asking you to adopt represent dramatic departures from Congress' efforts over the years to ensure that federal housing assistance is directed to low-income people. The following brief review of subsidized rental programs in the nation illustrates the point. In 1961, when Congress took its first step into the privately owned subsidized rental housing arena with the Section 221(d)(3) BMIR Program, the benefits were limited to tenants whose incomes were beneath 80% of the median. In 1965, when the Administration wanted the rent supplement program to serve tenants whose incomes were too high for public housing, Congress cut the income limits for eligible tenants back to the public housing level. In 1968, with the Section 236 program, Congress again restrained the Administration's drive for higher income levels, limiting the benefits of the program to tenants with incomes beneath 135% of the public housing limits. In 1974, the limits for the Section 236 program were raised to the 80% of median level and the limits for the new Section 8 program were set at that level.

While this history does reflect a gradual trend to raise the income limits, never did Congress allow benefits of subsidies to go to tenants with incomes above the 80% of median level and, in fact, the vast majority served had much lower incomes. In stark contrast, the proposed program would direct the vast majority of the benefits to tenants who would be well above the 80% of median level and those few who could be below that level would still be near the top of the "low-income" category. We believe that Congress can provide economic stimulus without abandoning its wise and long established policy of directing housing assistance to those most in need. Steps can be taken to require that the hundreds of thousands of units now in the pipeline are built, that public housing authorities receive adequate operating subsidies, that sufficient expenditures are made for modernization, and that new units of public housing are added to the supply.

Questions Submitted to Ms. Dolbeare

Question 1. I want to commend you for bringing out a very important and often overlooked fact, and that is that outlays for low-income housing assistance have never in any year been more than 1 percent of total Federal outlays. In order to put that into perspective could you provide us with some comparisons with other Federal programs?

Answer. Housing outlays are substantially below those for other federal social programs. Indeed, no one expects that decent education, training, health care, or transportation can be provided at little or no cost. Yet that, implicitly, is what is demanded of low income housing programs. Herewith, then, is a comparison of actual 1981 outlays, in dollars and as a percentage of all outlays, for selected Federal activities:

[Dollar amounts in billions]

Program/function	Outlays	Percent of total
Low income housing	5.747	0.8
Military personnel	36.409	5.5
Military procurement	35.191	5.3
Highways	9.068	1.3
Elementary/secondary education	7.043	1.0
Higher education	6.790	1.0
Training and employment	9.241	1.4
Social services	6.531	.9
Medicare	42.489	6.4
Medicaid	16.984	2.5
Social security	137.197	20.9
Federal retirement	17.547	2.6
Unemployment compensation	19.664	2.9
Food stamps	11.253	1.7
Social security income	7.192	1.0
Welfare (AFDC)	8.504	1.2
Veterans' pensions and insurance	12.909	1.9
Total outlays	657.204	100.0

Question 2. I want to commend you for highlighting an all-pervasive myth that too often underlies the rationale used by those who are entirely opposed to low-income housing assistance and those who are for it but who think that it is a luxury that the Nation simply cannot afford. We find this mentality, however, is limited to programs aimed at the poor but not others.

Take for example certain defense programs. Suppose we used the same mentality when it comes to tanks. At $4 or $5 million each, we would conclude that they were too expensive. But that is not the way tanks are looked at. They are needed and they are expensive, and they are built and bought.

Why is housing for the poor viewed differently? My question is, how realistic is it to think that the budget bugaboo, or "freak of the budget process," as you put it in your testimony, can be overcome?

Answer. Housing is the victim of a quirk in the budget process. Traditionally, federally assisted housing has been financed in much the same way that an individual purchases a home: through long-term borrowing, so that a part of the cost of the unit is paid back each year. When a Federal subsidy is provided, the commitment is, therefore, typically a long term one. In public housing, the subsidy covers the interest and amortization on 40-year bonds issued by local authorities to finance the projects. In Section 8, the subsidy commitment covers both financing and operating costs, including utilities, taxes, and maintenance, over the 15 to 30 year life of the contract. In other HUD programs, the subsidy essentially reduces the interest rate.

Because the housing subsidies are provided under long-term contracts backed by the full faith and credit of the federal government, the budget process requires that "budget authority" be calculated as the MAXIMUM possible annual cost, multiplied by the number of years of the contract. As already noted, for the Section 8 program, this includes operating costs.

If a homebuyer, when considering purchase, were to count the total cost of principal and interest on the mortgage, plus taxes, insurance, utilities, and maintenance over the 15–20 year period covered by the mortgage, he or she would be using a comparable basis of calculating costs. And there would be very few houses, at today's prices and interest rates, that could be "bought" for less than half a million dollars. Yet that is how the federal government budgets its low income housing programs.

Other federal programs do not make long-term contractual commitments, even though everyone knows that money will have to be appropriated and spent. So they are treated differently in the budget process.

The answer, I believe, lies in changing the manner in which we provide housing assistance, and getting away from long-term contracts. The National Low Income Housing Coalition advocates both the provision of housing assistance through income-based approaches, such as vouchers, for all very low income households needing them to obtain decent housing and continued federal support for the rehabilitation and construction of housing for low income families. Neither requires

long-term commitments: construction and rehabilitation could be handled through front-end capital subsidies, with appropriate recapture provisions and restrictions on use. We could provide better support for limited equity cooperatives and mutual housing associations, and for homesteading for low income families. And we could provide access to vouchers for families whose primary problem is that they cannot pay what decent housing costs.

Three things are called for to cope with the problem of how low income housing is budgeted: (1) Congress and the public need to understand why the program appears so expensive, when in fact it is not; (2) we need to recognize that provision of decent housing does cost something, just as providing other basic services costs something; and (3) we should look to methods of reducing the long-term contractual commitments under which housing assistance is provided.

Question 3. I understand the Department is developing regulations which would provide that no adjustments to income would be permitted for purposes of determining eligibility for or rent paid in an assisted housing project. An alternative proposal is that a more equitable system would be to provide a single adjustment of $400 for every family member.

Would you comment on these two proposals?

Answer. The question of how much people can afford to pay for housing is a knotty one, with which I have wrestled personally for some two decades, and which the Coalition has discussed inconclusively from time to time. The generality that no one should pay more than he or she can afford gives little practical guidance, and a percentage of income is therefore used as a proxy for this, and adjusted to prevent gross inequities.

When I broke into housing some 30 years ago, the discussion—by the way—was whether 15 percent or 20 percent was an appropriate percentage of income to pay.

The fact is that generally speaking, the lower one's income, the higher the percentage that goes for housing: just the inverse of what people can afford. For example, I could "afford" to spend 50 or 60 percent of my income for housing, if the test is whether or not I have enough left for other basic necessities. But, using this test, there are several million households who can literally afford to pay nothing for their shelter.

I would suggest that two approaches be considered to this problem. The first is a so-called "market basket" approach: what does a houshold of a given size and composition require to cover basic necessities other than shelter? Calculate this, subtract the amount from household income, and the remainder is what the household can afford to pay. Charge this for rent.

The second is a simpler way to accomplish much the same thing, while requiring everyone to pay something for housing. That would be to develop an array, based on currently available statistics on household size and income, which would show the income at each percentile for each household size. Then assume that each household could afford to pay for shelter whatever its percentile is. For example, households in the bottom 1 percent would pay 1 percent of their income; households at the fifth percentile would pay 5 percent; households at the tenth percentile, 10 percent, and so on. It is admittedly arbitrary, but it does adjust for household size and it does increase the proportion paid for income gradually as income rises.

Either of these approaches would, I believe, be better than the current system. Furthermore, there would be no need for income limits under either approach, because at some point the amount paid for shelter would equal the cost of shelter, and subsidy would not be required.

Chairman GONZALEZ. I did have one that I was going to propound to Ms. Dolbeare in the remaining half minute or so that I have. I notice in this article in the Washington Post, dated March 6, that you and the coalition support the voluntary system. I realize that, even briefly, there you were talking about entitlement, which the administration's Commission is absolutely against.

But what is your plan? What is your suggestion to provide a broad and comprehensive plan or support for comprehensive program for the poor or moderate income?

Ms. DOLBEARE. Well, Mr. Chairman, we start from the basic premise that decent housing ought to be regarded as a human right and that we ought to recognize a responsibility to provide

housing assistance for all low-income families who need housing assistance.

Now, the President's Commission on Housing identified 10 million renter households who would be eligible for the administration's housing proposal or the Commission's housing proposal of providing vouchers to households with incomes below 50 percent of median. I do not have any particular quarrel with that estimate. As a matter of fact, only one household in four of those renter households is now receiving assistance.

The only way that we have been able to figure out that you are going to make housing assistance for low-income households an entitlement would be through a housing allowance or a housing-voucher program, where housing assistance would be provided just as food stamps or medicaid now is provided. If you are eligible, you apply for it and you get it. If you are refused, there is an administrative appeal process.

Now, the opposition to housing allowances has always been somewhat of a mystery to me. People do not expect food stamps to deal with the problems of food production. They do not expect medicaid to deal with the problems of health-care delivery. But somehow the criticism is made of housing vouchers that housing vouchers will not produce housing.

It seems to me we have two separate problems here. One is the income problem: Covering the difference between what housing costs and what low-income people can afford to pay. A second problem, which is analogous to growing enough food, or delivering enough health care, or whatever, is the problem of providing an adequate stock of housing.

Both of those problems should be addressed. We would like to see a housing-allowance program as an entitlement, accompanied by the necessary production and rehabilitation programs to make sure that there is an adequate supply of housing.

Chairman GONZALEZ. Thank you very much.

Mr. Stanton?

Mr. STANTON. Thank you very much, Mr. Chairman.

Certainly I want to compliment the witnesses. You will find many in Congress, of course, have disagreed with some of your basic principles and your basic premises. But nonetheless, I hope that you find none who do not realize that you do a good service, a great service indeed, in prodding the consciousness of individual Members of Congress.

The question that has always bothered me, of course, is the fundamental premise, where you claim there is a right or where their is an obligation to provide housing to everyone. I do not know if it is a right. I do not know of a better word.

I think it is a goal certainly, and certainly Government has an obligation to help those who cannot help themselves. But despite that, I think that one point I would like to make, which I thoroughly agree with you on, is if the limited supply of capital is a fundamental problem in providing adequate housing in this country, certainly there should be priorities. And certainly the top priority should be the poorest of the poor; first to the poorest of the poor, and, second, to the elderly.

I think we have gotten away, over the years, from spreading our resources so thin that indeed we have trouble. Everyone suffers a little bit in that regard.

I think, back to that premise, though, what bothers me the most is that your organizations have a far greater responsibility—an equal responsibility to tell the people, where you can, who are involved with the cost of construction today, the problem that they create.

Let me give you an example. Why do we not reach more people? I was appalled to learn recently that, say section 8 subsidized housing, the units cost—I cannot get an exact figure, but somewhere, around $25, $28, now it may be $30 per square foot, to build this housing. That seems like an incredible cost.

The figures, if they are right—and the staff at HUD was not sure, are high. I was surprised they are not sure. I would think they would know.

Then you get into the rental subsidy question. It's about $7,000 per unit times 30 years, or $210,000 in subsidy. Then you get down to the question, which we are coming to, of the certificate. They estimate that the modified existing section 8 program, a certificate or voucher program they put forth, could probably accommodate three persons to every one person under new construction.

So you have to look at that. You have to look at, as you I think in your testimony referred to, continuity and I agree. And second, to serve as many people as we possibly can.

Last, let me say this. We do have real problems in this country with the poor, and I think that I agree with you that compassion should begin at home, rather than halfway around the world. On the other hand, I had the experience last night of watching a television show—I think it was on channel 5. I switched it off when my daughter, who is 14, screamed. She was right in the middle of watching the poorest of the poor. And I agree with her.

Having been in World War II and all through Southeast Asia, I saw some of the tribes in New Guinea, in utter and complete poverty. And then you saw refugees coming into, I believe it was, Uganda from Ethiopia, and saw the utter poverty on the TV screen. The type that I have never seen before.

And $100 contributed there could take care of somebody, all their foods and wants and housing, for 1 year, and what your dollar would get. So I think that we cannot forget that some of these things we do have as a nation, that we do have an obligation certainly around the world, if you accept that premise, not as Americans but as human beings.

And I guess I bring that up because she was so impressed and she went and cried and took out her total savings of $20 and called some number and off it went.

But if you could tackle that question and help us all on the question of costs, I think you would be doing a service.

And in conclusion, let me just congratulate you for presenting your case. I am sorry more people are not here to hear you.

Ms. Dolbeare. If I might respond just briefly, Mr. Stanton. I hope we could agree on the principles, although we might not agree with the means of getting there. And I certainly share your concern that we should be talking about human rights and think-

ing in a world context, and not solely in the context of people in this country.

I guess you can argue over words if you want to. I am not particularly inclined to, except that I would like to submit for the record if I may a quotation from President Reagan in which he refers to the necessary human right to housing. So I had not thought it was a controversial statement to regard housing as a human right.

Mr. STANTON. That person as an individual is entitled to certain things, not necessarily as a right, but human dignity. But do not misinterpret that.

Ms. DOLBEARE. In the question of cost, I would like to submit some additional material on that. HUD now has in its hands, I believe, the preliminary report of a rather extensive study on the various costs of providing housing under the major subsidy programs. It seems to me there are ways of reducing costs.

One of the most important ways of reducing costs I think is to stop trying to hide them. I have always been an advocate of pay as you go on housing. And I think we made a mistake back in 1937, which was before even I got into housing, in financing public housing on a long-term basis so you could have annual contributions contracts and the cost in any given year would not look so high.

I think we need to address the full cost of housing. I would like to see us provide all of the subsidies up front, directly. Even though it might be hard in the transition period I think we could reduce costs by using such methods as limited equity co-ops and also in conserving on construction.

That is a concern that we do share, and we have been actively seeking ways of reducing the cost of housing. Certainly, any organization who wants to see everybody served is looking really desperately for less expensive ways of serving them, because clearly it is going to be a difficult thing to persuade the Congress and the country to adopt programs of the scale we think is necessary.

Mr. STANTON. Thank you.

Ms. ROISMAN. May I say three things quickly about costs? First, the public housing, the conventional public housing program, is the cheapest program we have got. GAO, everybody who has studied it, has said that. Housing is expensive. The money costs money, the land costs money, the labor costs money. You cannot do it cheaply, but the cheapest way to do it is public housing.

Second, on the operating subsidy. Something like 60 percent of the cost of the operating subsidy is utility expenses, and that is not because consumption has gone up. Consumption has gone down. It is because of what we have all experienced, and that is the staggering increase in utility rates all over the country.

I forget what was the third point I wanted to make about costs. But on the issue of principle, there was a very moving column in the New York Times in December of last year, which was put into the Congressional Record by Mr. Levin. And he quoted—that is, the Senator quoted—from John Stuart Mill. And if I may I will read his concluding quotation from John Stuart Mill:

> Apart from any considerations, it will be admitted to be right that human beings should help one another, and the more so in proportion to the urgency of the need. The claim to help, therefore, created by destitution is one of the strongest that

exists, and there is prima facie the amplest reason for making the relief of so extreme an exigency as certain as by any arrangements of society that can be made.

I know that Mr. Gonzalez saw some of the conditions in which farmworkers live on the Eastern Shore. I frankly do not remember if anyone else here was with him then. I cannot say that I am pleased, but I am heartened to know that you are going to look at public housing.

I truly think that when you have seen the abysmal conditions in which so many people live, entirely without fault on their part, none of us will have any disagreement about basic principles.

Chairman GONZALEZ. Thank you very much.

Mr. Lowry?

Mr. LOWRY. Thank you, Mr. Chairman.

I would like to thank the witnesses for very meaningful testimony. I would like to ask two questions and ask you both to address them.

First, what, in your opinion, is the best way to approach the energy cost utility billing proposals? And if you would, relate within that the energy-conservation question, the incentives to conserve.

And, second, what, in your opinion, do you think is the more cost effective expenditure, public housing or section 8 housing? And could you give some historical perspective of that, as if we were to back up a number of years and relate today's costs to the investments made a number of years ago in comparing public housing expenditure versus section 8.

Ms. DOLBEARE. The president of the Seattle tenants union is member of our board of directors and was telling us that, after much effort, they had finally gotten the power company out there to agree to make a survey of energy efficiency in public housing. And they were all advised to wear turtleneck sweaters. That is not my idea of an efficient way of approaching the energy-cost problem.

But it does seem to me that the top priority really ought—if you can choose priorities, a major priority ought to be to retrofit the subsidized housing projects as extensively as we can possibly afford to do so. I think there is no argument about the cost-benefit ratio of that kind of retrofitting, and it will pay for itself in utility costs over a relatively short timespan. And how long depends upon the inefficiency of the project to start with.

Mr. LOWRY. How would you pay for that, with modernization funds?

Ms. DOLBEARE. I would do it through modernization or do it through an up-front grant. I understand a lot of communities are using community development funds for that, because the modernization funds are inadequate. But I certainly think that it would pay for itself in future reduced operating subsidies in order to do that.

Meanwhile, however, I do think we need to provide the operating subsidies. There are tenants who will pay more for their utilities than they pay in their rents, and it is not being reflected in a rent reduction. And there are tenants who cannot keep warm in subsidized housing, and I think we would all agree that that is just plain wrong.

I think one thing that is very clear is, regardless of whether it is section 8 or public housing or 236 or whatever, housing that has already been constructed is less expensive than housing which is going to be constructed in the future under any program. So that if we are interested in minimizing the costs of housing assistance, it seems to me a very major priority ought to be to retain in inventory—and that includes the HUD-held and HUD-owned properties—as many properties in the subsidized inventory as we possibly can.

And I would urge that, instead of HUD trying to dispose of subsidized projects in order to make the insurance fund whole at the highest possible price, even if it means they lose their subsidies, maybe we should look at it the other way around and say, are there unsubsidized projects in the HUD inventory would/could more efficiently be used as assisted housing than replacing it in some other way?

Traditionally, public housing has been, I think, less expensive than section 8, although there is far as I know some conflicting evidence there. I think it is quite possible that there are instances, particularly where co-ops and neighborhood-based organizations have used the section 8 program, where they have been able to reduce costs below public housing.

The major difference in costs between public housing and section 8 is that if a housing authority wants to keep it—and a disturbing number of them do not seem to want to—at the end of the 30 years or the 40 years of the contract, you have a property which is in public or nonprofit ownership, which can continue to be used for low income housing, whereas under the section 8 program you are paying the cost of financing the project and in the end you do not have a project.

Ms. ROISMAN. I agree with everything that Cushing said on the question of energy conservation. I would add two things:

First of all, I go down the whole spectrum of publicly involved housing, starting with the housing that is owned by HUD and owned by Farmers Home. HUD and Farmers Home ought to be given the money right now to go out with directions to retrofit every unit that they hold title to or that they control as mortgagee in possession. That would save an enormous amount of money right there.

And then I would go right on down the spectrum, to public housing, to the Farmers Home-insured housing, to the FHA-subsidized housing, and then to the FHA insured, the so-called unsubsidized housing. If all the housing in those categories were retrofitted, we would save an incredible amount of energy.

On the cost-benefit question of public housing, Cushing said this, but I am going to repeat it because I think it is really crucial, and that is with public housing you end up with a publicly owned asset. And one of the greatest deficiencies in the budgeting system that we use, that the country uses, is it does not have a capital budget. So that the fact that with public housing you end up with a publicly owned asset that is very valuable never shows up.

And then, in addition, I agree with Cushing that we ought to take every piece of property that HUD has got, or that Farmers Home has, or that the VA has, that is good for housing, and put it

to serving a public use. It ought to be used to serve the lowest income people.

And I also want to suggest that the subcommittee consider, with respect to its mortgage assistance program, the foreclosure avoidance program for conventionally financed housing, if after the additional loan has been made to avoid foreclosure foreclosure occurs in any event, the Government ought to end up owning that housing. I would like to see the people who lived in it continue to live in it, but when they are finished living in it that housing ought to be used for a public purpose, too.

Mr. LOWRY. Thank you.

I will just make one comment. I really agree with your last point. In 1970, I think we disposed of 11,000 houses in Seattle during the Boeing bust. A lot of them, in my opinion, essentially were given away to real estate speculators. A tremendous opportunity for scattered housing was lost. We now have busing and other problems. It seems to me that we really gave away a tremendous asset.

Now we may have another opportunity to do that again about 1 year from now.

Ms. ROISMAN. I think there is a real opportunity for the subcommittee. I mean, the full committee is considering, everybody is considering, relief for the thrift institutions. I will put this idea most baldly and I know that it needs a lot of refinement. But the bald idea is that the way that the bailout ought to be conducted is by buying mortgages. Let the Federal Government buy all of the 4-percent mortgages, or up to 6 percent, or up to 8 percent, pick a number.

Buy the mortgages. Let HUD or some Federal agency end up owning the paper. When there are defaults, let there be forebearance, and workout, and let everything be done to keep the people in there as long as they live. But once the life estate is ended, it will be a federally owned property that can be used for Federal purposes.

And you would get all the things you are talking about, Mr. Lowry, scattered site and the rest.

Mr. LOWRY. Thank you, Mr. Chairman.

Chairman GONZALEZ. Thank you, Mr. Lowry.

I saw the other Mr. Lowry, No. 2, but I guess he has left.

Well, thank you both very much. Once again, we express the deepest gratitude for your continuing contribution and cooperation, not only to the subcommittee but to the cause generally. Thank you very much.

Ms. ROISMAN. Thank you, Mr. Chairman.

Ms. DOLBEARE. Thank you, Mr. Chairman.

Chairman GONZALEZ. We have the second panel this afternoon, and we are equally privileged to have: Mr. Harold O. Wilson, the executive director of the Housing Assistance Council; Mr. Moises Loza, the vice chairperson of the National Rural Housing Coalition; Ms. Jeanine Kleimo, the staff director of Rural America; and Mr. Martin E. Sloane, the executive director of the National Committee Against Discrimination in Housing.

And I cannot tell you in words how gratified I am to see you again, each and every one of you. I wanted to express, because this is the first opportunity I have had since last autumn, my gratitude

to Ms. Kleimo, who has done great work in the rural areas of our Nation—an area that is generally not as visible to the American public.

Since Mr. Sloane has a time constraint we will begin with him.

STATEMENT OF MARTIN E. SLOANE, EXECUTIVE DIRECTOR, NATIONAL COMMITTEE AGAINST DISCRIMINATION IN HOUSING

Mr. Sloane. I will be very brief, Mr. Chairman.

First let me say, I agree with everything that Cushing and Florence, two old friends, have said. I thought, however, it was important to present the perspective of my organization, which is the National Committee Against Discrimination in Housing.

The National Committee was founded in 1950 and its principal founder was Robert C. Weaver, who, as you undoubtedly know, was then later Housing and Home Finance Administrator and first Secretary of Housing and Urban Development. Dr. Weaver has been president of our organization again for the last 10 years.

The concern of the National Committee is with housing rights for racial and ethnic minorities, housing rights in the sense of decent housing in locations of their choice. We are concerned about the housing rights of lower income families, for one thing because the organization knows that racial and ethnic minorities are disproportionately overrepresented among those who need subsidized housing.

Over the years we have recognized three problems, persistent problems: One, inadequate volume of housing to meet the needs of lower income families; two, lack of locational choice, largely through suburban veto power over subsidized housing; and third, plain old-fashioned discrimination in housing.

These three problems persisted for many, many years, and then came 1968, a marvelous year for housing and for fair housing. At least three significant events occurred in that year:

One, Congress passed a Federal fair housing law protecting against discrimination in housing in virtually the entire housing market.

Second, the Supreme Court of the United States decided *Jones* v. *Mayer & Co.*, holding that a post-Civil War statute passed in 1866 barred all racial discrimination in housing, private as well as public.

And then in my view perhaps the most significant event occurred—passage by Congress of the Housing and Urban Development Act of 1968, which not only increased authorization for public housing, but established two new programs, 235 and 236, programs of homeownership and rental housing for lower income families, respectively. These two new programs were capable of, and indeed did produce, a massive volume of subsidized housing for lower income people. Also, these programs were unique in that they were free from any kind of government veto.

Congress also mandated that over a 10-year period 26 million units of housing be produced, 2.6 million of which would be for lower income families. In fact, for a couple of years the Nation was meeting that mandate.

And then came the moratorium in 1973, which ended just about every subsidized housing program we had. I had the distinct displeasure of participating in an unsuccessful lawsuit challenging the legality of that moratorium.

Where are we now? We have been going downhill since then. Right now the administration threatens to eliminate virtually all new subsidized housing construction. We have a President's Commission on Housing which seems to be taking its marching orders from the administration and is recommending an end to new construction, as though there is no need at all anyplace in the country.

I personally have had some dealings with the President's Commission, and with your permission, Mr. Chairman, I would like to submit for the record an exchange of correspondence I had with John C. Weicher, who was then Deputy Staff Director of the Commission concerning two principal proposals of the Commission, one having to do with housing vouchers and the other having to do with permitting municipalities, if they chose, to use community development money for subsidized housing. And with your permission, Mr. Chairman, I would like to submit this for the record.

Mr. LOWRY [presiding]. That will be submitted in the record without objection.

[The correspondence referred to by Mr. Sloane follows:]

THE PRESIDENT'S COMMISSION ON HOUSING

August 24, 1981

Mr. Martin Sloane
Acting Executive Director
National Committee Against Discrimination
in Housing, Inc.
1425 H Street, N.W.
Washington, D.C. 20005

Dear Mr. Sloane:

The President's Commission on Housing, as part of its mandate from the President, is evaluating the current subsidized housing programs for low- and moderate-income households, and considering alternatives to these programs. One such alternative is a housing voucher system, perhaps similar to the present Section 8 Existing Housing Program, or the Experimental Housing Allowance. Another is a housing block grant, which might be analogous to the Community Development Block Grant. As part of our consideration of these alternatives, we are concerned with their possible implications for the housing of minorities. We would be most interested in receiving the views of you and your organization on this subject.

The next full meeting of the Commission will be on September 15, and we anticipate that subsidized housing programs will receive attention at that meeting. It would, therefore, be most helpful to us if we could receive a written response by September 11, which could then be distributed at the Commission meeting. We realize that this is a very short time, and will be most grateful for whatever information you can provide by then.

We are, of course, also interested in your thoughts on any of the issues being considered by the President's Commission on Housing, but these are being addressed on a longer schedule.

Sincerely,

John C. Weicher
Deputy Staff Director

cc: Samuel Jackson

Jackson Place, N.W. Washington, D.C. 20503 (202) 395-5833

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NATIONAL COMMITTEE AGAINST DISCRIMINATION IN HOUSING, INC.

1425 H Street, N.W., Washington, DC 20005 • (202) 783-8150

September 9, 1981

Mr. John C. Weicher
Deputy Staff Director
The President's Commission on Housing
730 Jackson Place, N.W.
Washington, D.C. 20503

Dear Mr. Weicher:

This is in response to your recent letter requesting our views on certain alternatives to current subsidized housing programs for low- and moderate-income households, under consideration by the President s Commission. The specific alternatives mentioned in your letter are: a housing voucher system, perhaps similar to the present Section 8 Existing Housing Program, or the Experimental Housing Allowance; and a housing block grant, which might be analogous to the Community Development Block Grant.

NCDH is a private fair housing organization, founded in 1950, and dedicated to the goal of achieving equal housing opportunity in fact as well as in legal theory. The major emphasis of our work over the years has been to secure free housing choice for all Americans particularly racial and ethnic minorities, who historically have been subjected to a variety of forms of housing discrimination Our programs and activities have included research into the extent and causes of housing discrimination; program services to assist fair housing groups working at the local and metropolitan area levels in the cause of fair housing; public information to inform those with a special interest in fair housing, and the public generally, of current developments in the effort to achieve equal housing opportunity; and fair housing litigation aimed at utilizing the courts and other legal forums to secure strong enforcement of fair housing laws.

In the course of its work, NCDH has, of course, sought to deal forcefully with problems of overt discrimination by the private housing and home finance industry. We also have sought to deal with more subtle problems of housing discrimination, particularly those which stem from actions of government at all levels--local, state, and federal. In this connection, we necessarily have been concerned with the operation of federally subsidized housing programs. As you are undoubtedly aware, racial and ethnic minorities are disproportionately

Letter to Mr. [illegible]
September [illegible], [illegible]

Page 2

over-represented among those families in need of such assistance to secure decent housing. Accordingly, the way in which subsidized housing programs operate is an important factor in determining whether equal housing opportunity will be achieved for all Americans.

Based on our own experience and that of other organizations, public and private, we believe that, while the proposed alternatives to current subsidized housing programs may afford potential opportunities for increasing free housing choice for some, they present serious problems which could well exacerbate existing impediments to minorities in their search for decent housing in locations of their choice. Unless these problems are fully recognized and dealt with firmly and effectively, we are convinced that neither alternative can contribute to improving the housing conditions of minorities or to furthering equal housing opportunity.

Housing Vouchers

A housing voucher system offers the theoretical advantage of enabling low- and moderate-income families, through use of the existing housing supply, to choose standard housing suitable to their needs and in locations of their choice. Experience demonstrates, however, that there are two major problems inherent in such a system.

First, care must be taken that the housing voucher system operate only in loose housing markets. That is, in markets where vacancy rates are high, e.g., above five percent, housing vouchers can be an effective means of utilizing the existing housing supply to afford opportunities for low- and moderate-income families to secure decent housing. In areas where vacancy rates are low, e.g., less than three percent, use of housing vouchers is likely to be ineffective and could well inflate the cost of housing, to the disservice of the entire community, without affording true housing opportunities for these families. Experience under the Section 8 Existing Housing Program has shown that in areas where the housing market is tight, persons who receive Section 8 certificates often find they are unable to locate eligible housing and must forfeit their certificates.

Moreover, our experience has also shown that some localities with low vacancy rates deliberately seek to avoid their assisted housing obligations by relying entirely on existing housing:

Letter to: Mr. Weicher
September 9, 1981

Page 3

Thus in a recent case in which NCDH served as legal counsel, Coalition for Block Grant Compliance v. HUD, 450 F.Supp. 43 (E.D. Mich., 1978), the city of Livonia, Michigan, sought to satisfy its housing assistance obligations solely through use of existing housing in the community. The vacancy rate, however, was nearly zero and the court properly rejected the city s proposal.

Obviously in tight housing markets, the emphasis must be on new construction and rehabilitation of substandard housing. In a tight housing market neither housing vouchers nor any other system that forces lower-income families to compete with others who have greater economic resources can work The only solutions are either substantially to increase the supply of housing to the point where there are sufficient housing units to meet the total demand or to provide accommodations specifically set aside for those who qualify in terms of need.

In addition, analysis of vacancy rates must be in terms of the needs of the families to be served and on a unit-size basis Thus, vacancies limited to efficiencies or one-bedroom apartments will not adequately serve the needs of families with two or more children. Accordingly, an analysis of vacancy rates must take into account the type and size of housing needed. A housing voucher system should not, therefore, be routinely approved on a nationwide basis, but rather on an area-by-area basis after consideration of the availability of units adequate to serve the families in need. Such a system must also be tied to a vigorous national program of new construction and rehabilitation.

Second, a housing voucher system can enhance free housing choice only if the housing market is truly open and free from discrimination. This involves at least two major elements.

The first element is elimination of various forms of housing discrimination in the area. Our experience has shown that housing discrimination remains a major problem in American society. In 1978, 10 years after enactment of the Federal Fair Housing Law, NCDH, under contract with HUD undertook a Housing Marketing Practices Survey to determine the existence and extent of racial discrimination in the private housing market The results of that survey prepared and published by HUD, showed that if a black homeseeker were to contact four rental offices or four brokers, as is often the case in shopping for housing, the probability of that person encountering discrimination would be 75 percent in the rental market and 62 percent in the sales market. (HUD, Measuring Racial Discrimination in American Housing Markets: The Housing Market Practices Survey, April 1979.)

Letter to: Mr. Weicher
September 9, 1981

Page 4

Racial steering, which the HUD report did not take into account, is of special importance for purposes of effective operation of a housing voucher system. As you can appreciate, if racial minorities are steered exclusively to areas of minority concentration, the exercise of free housing choice, theoretically inherent in the housing voucher system, is only illusory. Accordingly, as a precondition to authorizing use of a housing voucher system in any area, HUD must insist on effective state or local fair housing laws and must itself be prepared to place special emphasis on fair housing enforcement in that area. This would require not only increased HUD fair housing enforcement activity, but a similar commitment from the Department of Justice and close cooperation with private fair housing organizations capable of monitoring compliance with fair housing laws.

Beyond this, it is essential that full information be provided to eligible low- and moderate-income families concerning locations and types of housing available to them. Absent this, eligible families may well be relegated to inadequate housing in ghetto areas. You may recall that a 1971 Report of the U.S. Commission on Civil Rights, which analyzed the racial and ethnic impact of the Section 235 Program of Home Ownership for Lower-Income Families, documented that eligible minority families who utilized the existing housing part of the program were victimized, in large part because of a lack of information on the availability and location of eligible housing.

To meet this problem, HUD must ensure that full information on the location and types of housing is made available to eligible households. The services of private fair housing centers in these cities and metropolitan areas should be utilized. Many such centers are already in existence and have had experience in providing counseling, referral, and other necessary services. Funds should be made available to these centers to increase their effectiveness. In areas where such centers do not yet exist, HUD should support efforts, in cooperation with local and national civil rights and civic organizations, housing industry representatives, and state and local government officials to establish them. Funds should be made available to assist in organizing these new centers and developing necessary expertise to provide these needed services.

In short, without these essential safeguards, NCDH firmly believes that institution of a housing voucher system inevitably will intensify, rather than reduce, existing patterns of residential segregation and present additional obstacles to equal housing opportunity. It also will fail to augment to the maximum degree the volume of standard housing available to minorities.

Letter to: Mr. Weicher
September 9, 1981

Page 5

Housing Block Grants

The precise nature of the housing block grant alternative under consideration by the Commission is by no means clear. To the extent this alternative would involve housing block grants to individual local jurisdictions however, NCDH has strong objections to it Under such an alternative, the decision on the location of subsidized housing the type of such housing that would be provided--indeed, the decision on whether to permit subsidized housing at all--would be made entirely by each locality This would be a de facto evasion of HUD s responsibilities under the Fair Housing Title of the Civil Rights Act of 1968.

Our concern is that, under the housing block grant alternative, the decisions on subsidized housing, delegated to local jurisdictions, necessarily would be made solely on the basis of the perceived self-interest of the individual locality, without specific regard for the welfare of the families in need or for the social and economic well-being of the metropolitan area. This result would be inevitable Even with the best of good will an individual locality would have little alternative other than to look out for its own perceived self interest for fear that negative decisions by its sister municipalities in the same metropolitan area would result in inundation of subsidized housing within its borders.

Experience under the Housing and Community Development Act demonstrates the point. Under that legislation, each applicant municipality prepares its own Housing Assistance Plan, including an estimate of its housing assistance needs and goals. Through our research and investigations it is clear that many suburban municipalities grossly underestimate their housing assistance need. Moreover, they tend to limit that need almost entirely to the elderly, to the exclusion of families.

Thus the locality-by-locality approach to housing block grants, it seems to us, makes no rational sense and can only exacerbate the problems of racial and economic stratification within our metropolitan areas. It can do little to enhance mobility for lower-income families and would inevitably undermine efforts toward rational development of metropolitan areas Eligible families would be limited in their choice of housing to localities that have determined to apply for housing block grants and in areas that the localities have designated for subsidized housing.

In addition, practical considerations, such as accessibility to centers of employment in the metropolitan area, are unlikely to play a significant role in the location of subsidized housing. Local jurisdictions, particularly central cities, in which lower-income families are already concentrated and where the need for

Letter to Mr. Weicher
September 9, 1981

Page 6

subsidized housing is perceived as greatest, are the ones most likely to seek substantial housing block grants. By the same token, local jurisdictions, particularly suburbs, where there is little, if any, subsidized housing are unlikely to perceive any significant need, even though many of these localities are in easy reach of centers of manufacturing or other employment for which relatively unskilled persons can readily qualify.

Under the traditional system by which subsidized housing is produced, many localities have exercised indirect control over whether and where subsidized housing can be built through refusal to sign requisite cooperation agreements manipulation of land use authority, and the like NCDH among other private organizations, as well as the U.S. Department of Justice, has been forced time and again, to institute litigation challenging these exercises of indirect control on grounds that they represent efforts to exclude or confine racial minorities. The recent Federal court decisions involving Black Jack, Missouri and Parma Ohio among other suburban localities, are only a surface reflection of the serious problem of racial exclusion Under housing block grants, local control over subsidized housing would be direct and the problems of racial and economic exclusion and confinement would necessarily be compounded

This is not to say that the traditional system by which decisions on location and access to subsidized housing are made is flawless or that the concept of housing block grants is without merit What is needed, in our view, is a mechanism by which these decisions will be made on an objective, non-parochial basis that will serve the realistic housing needs of lower-income families enhance their mobility, and contribute to the orderly social and economic growth of the entire metropolitan area. An essential element must be a metropolitan-wide perspective.

Indeed, the importance of such a perspective was recognized in 1971 through legislation introduced in Congress This legislation provided for the allocation of subsidized housing units throughout metropolitan areas on the basis of long-range plans, established by metropolitan housing agencies taking into account such rational factors as the location of jobs.

We are convinced that the necessary metropolitan-wide perspective to subsidized housing is an essential element in any housing block grant program. Although we are not wedded to the specific provisions of that bill, we firmly believe that a metropolitan approach to housing block grants is a necessary prerequisite.

We hope these comments will be of help to the Commission in its important deliberations.

Sincerely,

Martin E. Sloane

Martin E. Sloane
Acting Executive Director

cc: Kent W. Colton
Samuel Jackson
Robert C. Weaver

NATIONAL COMMITTEE AGAINST DISCRIMINATION IN HOUSING, INC.

1425 H Street, N.W., Washington, DC 20005 • (202) 783-8150

September 28, 1981

John C. Weicher
The President's Commission on Housing
730 Jackson Place, N.W.
Washington, D.C. 20503

Dear Mr. Weicher:

We wish to thank you and your associates for meeting with us on September 22, 1981 and for spending as much time as you did with us. We also appreciate the candor with which you responded to our questions and discussed the issues of concern to us.

The views expressed in Mr. Sloane's letter to you on September 9, 1981 reflect the position, not only of NCDH, but also of virtually all fair housing centers around the country. At our meeting, you indicated that the Committee is leaning toward a housing voucher alternative to existing subsidy programs. Although the precise nature of the housing voucher alternative is unclear, we wish to re-emphasize the essential safeguards that are necessary in any such system. The following briefly summarizes the views we expressed at our meeting with you.

First, a housing voucher system must be tied to a vigorous national program of new construction and substantial rehabilitation. Otherwise, the inevitable result is likely to be inflation in the cost of housing in areas with tight housing markets and no increase in mobility for minority families. A mere "standby" program of multifamily rental subsidy housing is simply not adequate.

Second, a housing voucher system should only be allowed to operate in areas where there is assurance of effective enforcement of strong fair housing laws at the local, state and federal levels.

Third, steps must be taken to assure that eligible families - particularly minority families - are fully apprised of their rights under the housing voucher system and of their rights under fair housing laws. This should include guidance as to how and where to file complaints in the event they suspect discriminatory treatment.

Letter to John C. Weicher
September 25, 1981
Page Two

Fourth, steps must be taken to assure that eligible families - again, particularly minority families - are afforded full information on the locations and types of housing available to them. This should include, at a minimum, the provision of counseling and referral services. As you are aware from our meeting, various fair housing centers around the country have had substantial experience in providing precisely this kind of service.

Again, we wish to express our appreciation for your taking the time to explore with us these important matters. We hope our expression of views will be of assistance to you and the Committee in its deliberations.

Sincerely,

Martin E. Sloane
Martin E. Sloane, Executive Director, NCDH

Lee Porter /db
Lee Porter, Executive Director Fair Housing Council of Bergen County

James Harvey /db
James Harvey, Executive Director, Metropolitan Washington Planning and Housing Association

Janet Hansen /db
Janet Hansen, Executive Director Suffolk Housing Services

Barbara Wurtzel /db
Barbara Wurtzel, Executive Director, Housing Opportunities Made Equal

MES/db

cc: Samuel Jackson
Edward Brooke
Carla Hills

Mr. SLOANE. I did want to say something about the chairman's bill. We at NCDH are firmly in support of that bill insofar as it supports new construction of housing. I do agree with Cushing Dolbeare and with Florence Roisman that more emphasis should be put on construction to meet the needs of lower income families, and I do not think there is enough in the bill on that.

There is one other problem and I will just close with this, which is that there is no focus on a metropolitan-wide approach to the housing that will be produced under the program. This has been a very severe problem in our experience over the years and we think some additional thought and some changes ought to be made to provide that metropolitan-wide focus.

Thank you, Mr. Chairman.

Mr. LOWRY. Thank you, Mr. Sloane.

Ms. Kleimo? I am sorry. Did the chairman say a different order in which to take the people?

Mr. WILSON. I do not think it matters, Mr. Chairman.

Mr. LOWRY. I sat down just as he was talking.

Mr. SLOANE. It was just—the chairman asked whether anybody had to leave quickly and I did. That is why I went first.

Mr. LOWRY. Thank you very much for your testimony, and it will be in the record. Thank you.

Ms. Kleimo?

STATEMENT OF JEANINE KLEIMO, STAFF DIRECTOR, RURAL AMERICA

Ms. KLEIMO. Thank you very much, Mr. Chairman.

I would like to thank Mr. Gonzalez for his earlier very kind remarks. Thank you for the opportunity to participate in these important hearings, and for the work that the staff of the subcommittee has done on this issue of such importance to all of us.

The chairman and the subcommittee are also to be commended for rejecting the administration's proposal to terminate the Federal role in housing through the Gonzalez bill.

We believe that the national goal of a decent home and a suitable living environment for every American family has been neither repealed nor achieved, and clearly cannot be achieved without Federal activities supplementing and complementing the private sector.

Rural areas have a special stake in this Federal role, because they have a disproportionate share of bad housing and at the same time less than an equitable response by the private sector. Rural areas have 29 percent of the Nation's population, but 40.9 percent of the Nation's bad housing—a total of 1.9 million substandard housing units. And we estimate that 20 percent of Federal housing support goes to rural areas.

The disadvantaged situation of rural areas has some general aspects, one of which I would like to deal with here, that of Federal credit. I would also like to touch on a couple of programs that the Federal Government currently has for farmworker housing and self-help housing, and I would like briefly to discuss the problem of mortgage delinquencies and foreclosures in rural areas, as well as

giving you some examples of the impact of the shortage of credit for rural housing development.

As part of my testimony, which I would like to submit for the record, I would also like to submit a paper which we just completed, which is entitled "The Geography of the Rural Credit Gap: Per Capita Deposits as an Indicator." This research affirms our general notion that credit is more difficult to obtain in rural than in urban areas. And I would like just to highlight certain information from this paper at this time, and will not go into the extended charts showing per capital deposits by State and things like that, which you can refer to later.

There is general agreement that credit is more difficult to obtain in rural than in urban areas. There is a recent study financed by the Economic Development Administration entitled "An Empirical Analysis of Unmet Demand in Domestic Capital Markets in Five U.S. Regions," which concluded that: "It is consistently more difficult to obtain intermediate and long-term credit in rural areas than in suburban and city locations."

Other evidence of this fact includes such indirect indicators as the relative level of deposits in banks and savings and loans. Since these are major sources of credit for residential finance and for small business, their magnitude can serve as an approximate measure of relative credit resources. Obviously, this is not an exact measure since banks and savings institutions are not the only sources of credit and due to the crossflows of credits between institutions and across geographical lines. We feel that the figures that we have here to share with you are valid in understanding this issue.

As our figures show, nonmetropolitan areas have 27 percent of the Nation's people, but account for only 19 percent of the deposits in banks and savings and loans. Deposits per capita in nonmetro areas are only 65 percent of those in metro areas. The median level for the 44 States with precise data is 79.9 percent of nonmetro deposits per capita—nonmetro deposits per capita are less than four-fifths the metro level.

The only five States in which nonmetro deposits are as large as metro deposits are Rhode Island and four farm States, Nebraska, Kansas, Iowa and Washington.

The $1.8 trillion in deposits works out to an average of $7,751 per person. These potential credit resources are far from evenly divided geographically. The range was from a low of $3,361 per capita in the nonmetropolitan areas of South Carolina to $17,891 in the metropolitan areas of New York.

It is precisely because of this credit gap—the lack of sufficient financial resources on the part of local or other accessible lenders, that the Farmers Home Administration was established—As the lender of last resort for rural areas and small towns, any credit it provides certainly does not compete with that of private lenders, but rather is available to those in need of adequate and affordable housing who cannot obtain financing from private sources of credit.

The rural housing strategy study done by the Farmers Home Administration in 1975 found that 17.4 percent of the outstanding mortgages on single family housing in the most rural counties—that is, those with no towns of 2500 or more—were Farmers Home

insured. In other nonmetro counties, Farmers Home Administration accounted for only 6.6 percent of outstanding mortgages.

Farmers Home held or insured mortgages of $3.8 billion—excuse me. The data that we have provided here we believe alone refutes the argument that Farmers Home credit operations have a major adverse impact on financial markets. However, in addition we would like to offer some relevant statistics from the most recent data available, the Federal Reserve bulletin of January 1982. This shows that in fiscal year 1981 there was a net increase in Farmers Home held or insured mortgages of $3.8 billion, for a total outstanding as of the end of September 1981 of $38.1 billion.

Nevertheless, Farmers Home accounted for only 11.7 percent of the increase in all federally regulated mortgage debt and only 13.6 percent of the outstanding total. This Farmers Home figure represents only 3.4 percent of the increase in total mortgage debt during the year and only 2.5 percent of the total outstanding at the end of the period.

But perhaps most significant, the increase in Farmers Home-related mortgage debt was the equivalent of about three-fourths of 1 percent of all funds raised in U.S. credit markets in the last year.

To illustrate the lack of credit faced by nonmetropolitan communities, I would like to share with you some recent experience from Texas, and I regret that Mr. Gonzalez is not here to hear this. The Texas State Housing Finance Agency proposed a bond issue in which a proportion of the loans would be made to rural and other nonmetropolitan banks for home mortgages outside of the State's largest cities. When the Housing Finance Agency went to the bond market, they were shocked to meet with such resistance to their proposal from underwriters.

Here, in a loans-to-lenders program in which a State attempted to stimulate its own nonmetro lenders and housing industry, credit barriers were such that rural and small town people were prevented from maximum benefit. This is as clear an indication as any of the inability of States alone to fill their own credit gap due to the resistance of private financiers. Surely, the Farmers Home Administration is needed in this case in Texas, as elsewhere throughout rural America.

Going on to a bit of information about the self-help housing program, this is one that we urge the Congress to continue at a level not only to sustain those projects currently in operation, but to permit the initiation of additional projects which show some prospect of efficient operation.

The Farmers Home Administration section 523 self-help housing program provides funds to community organizations to enable them to administer projects in which families receive construction supervision and so on, which I will not elaborate at great length here. But there are several points we would like to make about the efficiency of this program in meeting rural housing needs.

First, self-help housing costs $9,152 less than comparable contractor-built units. The $9,152 savings exceeds the section 523 grant cost of $4,141 by $5,010 per unit.

At an average 3 percent interest paid, the annual interest credit savings to the Government is $938. In five years, the interest credit savings will exceed the $4,142 in technical assistance cost.

Self-help families had adjusted incomes 12 percent below other section 502 borrowers. Self-loans are restricted to otherwise ineligible families and thus provide a net addition to the local housing stock that would not otherwise occur.

The addition of housing stock provides an economic stimulus to materials suppliers and subcontractors and improves the local tax base. Self-help families are almost always first-time home buyers, and when they are not they are owners of unsuitable, substandard housing.

With regard to the delinquent loan problem, not only in this program but in the various mortgage programs available to rural people, many low- and moderate-income home owners currently risk losing their homes due to an unexpected cut in their incomes due to loss of work—the general downturn in the economy.

The delinquency rate in the Farmers Home section 502 homeownership program runs as high as 31.3 percent and averaged 21.7 percent nationwide as of the end of January, although the rate is high in part because the Farmers Home system of tracking loans shows a delinquency very quickly when a loan is not paid right on time.

Due to this high rate of delinquency, assistance such as that which would be provided by Mr. Gonzalez' proposed Housing Act of 1982 and its Home Owners Emergency Relief Act is critical. This would alleviate further hardship from many rural families.

Farmers Home has its own section 505 moratorium program, which I describe briefly in my statement. However, we find that in actuality many families fail to receive this type of assistance. They do not know about it.

The terms used by Farmers Home officials in sharing this information are not ones which families can understand, and the borrower family on the day on which their loan is closed with Farmers Home, when they receive this information, is surely excited about their new house and optimistic about their prospects for maintaining it throughout the life of the mortgage, and the risk of losing their home they sought to acquire for so long is probably the furthest thing from their mind.

Once a borrrower becomes seriously delinquent, Farmers Home offers them some alternatives, including becoming current in their payments, selling the house, deeding the house back to the Government, or to receive a moratorium, a term which many will not understand. Many are unfamiliar with how to sell a house and will simply deed the house back to the Government, not seeing any other viable choice.

We commend the subcommittee for its past attention to the housing problems of farmworkers, and will not elaborate on their housing needs at this point, but certainly urge you to include the levels of funding recommended by Mr. Gonzalez for the program, as well as the section 525 funds which would enable community organizations to have the administrative money they need to provide technical assistance to develop housing for farmworkers who need it most.

And I have some examples here that I will just give a couple of very quickly, to show you or to illustrate the impact that the cur-

rent credit crisis is really having on rural communities. And these are all examples of people helping themselves and each other.

The small State of Delaware provides a clear example of this. It is very easy to see. The town of Milford has its share of the State's 22,000 substandard housing units, with 20.3 percent or 398 of its 1961 units being substandard, most of them old, overcrowded and dilapidated. Milford Housing Development Corp. was organized with the local United Methodist Church to deal with this great need, and after 3 years of effort they were finally able to open 11 rental units financed under the section 515 program.

Based upon their success, they were able to obtain a $25,000 revolving loan fund in order to option and acquire additional dilapidated properties and convert them. The prospects that they have for doing this, for achieving any more inroads to dealing with their housing needs, are quite limited, with only $384,000 available to the State under the section 515 program in Reagan's proposed fiscal year 1983 budget. That would build 11 more rental units in Delaware, while 15 to 20 section 502 loans would be available in this country.

And I have attached a newspaper article that describes this. A group in Kentucky are trying to build a single-family house that would result in only $100 a month in house costs, is another example described here, as is a project in Berlin, Md., with funds in the pipeline, as we say, which are likely never to get out.

These and others are by no means an exhaustive list of examples. They are simply the examples coming from people that I have had the opportunity to talk with this past week. But they illustrate our concern and we hope that you will be able to read the stories that people have here to share with you.

Thank you very much.

[Ms. Kleimo's prepared statement and the referred-to paper "The Geography of the Rural Credit Gap: Per Capita Deposits as an Indicator" follow:]

STATEMENT REGARDING THE U.S. HOUSING BUDGET
AND
RURAL HOUSING AND CREDIT NEEDS
JEANINE KLEIMO, RURAL AMERICA, WASHINGTON,D.C.

Mr. Chairman and Members of the Subcommittee:

I am Jeanine Kleimo, Staff Director of RURAL AMERICA. RURAL AMERICA is a nonprofit membership organization of small town and rural people and organizations. Since 1967 we have, among other efforts, tried to improve the housing conditions faced by people who live in the small towns and rural communities of this country through providing technical assistance and information to those active in developing housing for low income families and individuals and in expanding their access to decent and affordable housing.

The Chairman and Subcommittee are to be commended for rejecting the Administration's proposal to terminate the traditional federal role in housing. The national goal of a decent home and a suitable living environment for every American family has been neither repealed nor achieved, and clearly cannot be achieved without federal activities suppplementing and complementing the private sector.

RURAL AREAS

Rural areas have a special stake in this federal role because they have a disproportionate share of bad housing and <u>at the same time</u> less than an equitable response by the private sector. Rural areas have 29% of the nation's population, but 40.9% of the nation's bad housing - a total of 1.9 million substandard housing

units. Only about 20% of federal housing support goes to rural areas.

The disadvantaged situation of rural areas has some general aspects: There is a lack of adequate private credit, insufficient income levels, and a lack of an adequate private delivery system; as well as unique aspects such as the needs of both migrant and seasonal farmworkers and of Native Americans which cannot be dealt with effectively by housing development or improvement undertaken for the community as a whole.

For my part, I want to give special attention to one general aspect - that of lack of private credit; to one specific program for dealing with the lack of sufficient income to acquire housing through the private market - self help housing; and to one of the special need areas - housing for farmworkers.

MORTGAGE CREDIT NEEDS

As part of my testimony, I am submitting a paper which we just completed, entitled, "The Geography of the Rural Credit Gap: Per Capita Deposits As An Indicator." This research affirmed our general notion that credit is more difficult to obtain in rural than in urban areas. I would like to highlight certain information from this paper at this time:

The paper distinguishes only metro versus nonmetro data for each state.However, a sample of 52 nonmetropolitan Texas counties showed the following: In the 26 counties with no towns with a population larger than 10,000 or more and with an average of ten persons or less per square mile, the per capita deposit figure was 10% lower than that for the 26 nonmetro counties which averaged more than ten persons per square mile and which included seven towns of 10,000 to 30,000.

It is precisely because of this credit gap - the lack of sufficient financial resources on the part of local or other accessible lenders that the Farmers Home Administration was established. As the "lender of last resort" for rural areas and small towns, any credit it provides certainly does not compete with that of private lenders but, rather, is available to those in need of adequate and affordable housing who cannot obtain financing from private sources of credit.

The Rural Housing Strategy Study done by the Farmers Home Administration in 1975 found that 17.4% of the outstanding mortgages on single family housing in the most rural counties (those with no towns of 2500 or more), were FmHA insured. In other nonmetro counties, FmHA accounted for only 6.6% of the outstanding mortgages.

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Tabulations done by USDA from data in the 1977 Annual Housing Survey show that metro housing is more likely to benefit from federal mortgage insurance than nonmetro housing, but that FmHA accounts for about one-fourth of the federal housing insurance in nonmetro areas. Surely this figure is even higher for low and moderate income borrowers. The figures are:

Share of mortgages which are:

	Conventional	Federally Insured	FmHA Insured
All areas	69.0%	31.0%	2.3%
Metro areas	66.2%	33.8%	0.8%
Nonmetro areas (outside towns of over 2500 pop.)	75.5%	24.5%	6.0%

(Note: Figures are for owner-occupied units with an outstanding mortgage.)

This alone refutes the argument that FmHA credit operations have a major adverse impcat on financial markets. However, in addition, we offer relevant statistics from the most recent data available - the Federal Reserve Bulletin of January 1982. This shows that, in fiscal year 1981, there was a net increase in

FmHA-held or insured mortgages (farm and commercial as well as housing loans) of 3.8 billion dollars, for a total outstanding as of the end of September 1981 of $38.1 billion. Nevertheless, FmHA accounted for only 11.7% of the increase in all federally regulated mortgage debt and only 13.6% of the outstanding total. This FmHA figure represents only 3.4% of the increase in total mortgage debt during the year (and only 2.5% of the total outstanding at the end of the period). Perhaps most significant, the increase in FmHA related mortgage debt was the equivalent of about three fourths of one percent of all funds raised in U.S. credit markets in the last year.

One issue of concern to many small town residents is the definition of the FmHA service area. Once Section 520 of the Housing and Community Development Act of 1974 was amended to include towns with populations between 10,000 and 20,000 as eligible for FmHA financing if they had "a serious lack of mortgage credit," FmHA and HUD certified all towns within this population range as eligible as the result of expressed needs of such towns for credit. Now, HUD plans not to certify such communities as eligible for FmHA credit after the end of March. It is difficult to see how HUD can argue that no serious lack of mortgage credit exists anywhere today, and we question this action.

To illustrate the lack of credit faced by nonmetropolitan communities, let us share with you some recent experience in Texas. The Texas State Housing Finance Agency proposed a bond issue in which a proportion of the loans would be made to rural and other nonmetropolitan banks for home mortgages outside of

the state's largest cities. When the Housing Finance Agency went to the bond market, they were shocked to meet with such resistance to their proposal from underwriters. Here, in a loans to lenders program in which a state attempted to stimulate its nonmetro lenders and housing industry, credit barriers were such that rural and small town people were prevented from maximum benefit. This is as clear an indication as any of the inability of states alone to fill their own credit gap due to the resistance of private financiers. Surely the Farmers Home Administration is needed in this case in Texas as elsewhere throughout rural America.

Self-Help Housing

The Farmers Home Administration's Section 523 Self-Help Housing Program provides funds to community organizations to enable them to administer a project of supervising families and otherwise enabling them to build their own homes. The program requires a substantial amount of labor by participants. Generally, six to ten households are organized into a group to build each other's homes, with each household contributing 700 to 1200 hours. Supervision is provided by the organizational sponsor to build modest but well constructed units. Certain skilled tasks, such as plumbing and electrical wiring, are subcontracted.

This program not only enable lower income families to become homeownersthan those able to obtain FmHA Section 502 mortgage loans for contractor built houses, but achieves this with a net savings to the government. A recent analysis of the program indicates the following:

(1) Self-help houses cost $9,152 less than comparable contractor built units.

(2) The $9,152 savings exceeds 523 grant costs of $4,141 by $5,010 per unit.

(3) At an average 3% interest paid, the annual interest credit saving to the government is $938.

(4) In 5 years interest credit savings will exceed the $4,142 Sec. 523 technical assistance cost.

(5) Self-help families had adjusted incomes 12% below other 502 borrowers.

(6) Self-help loans are restricted to otherwise ineligible families and thus provide a net addition to local housing stock that would not otherwise occur.

(7) The addition of housing stock provides an economic stimulus to material suppliers and subcontractors, and improves local tax bases.

(8) FmHA Self-Help families are almost always first homebuyers.

(9) The non-first time home buyers are owners of unsuitable substandard housing.

(10 Section 523 grantees must reflect local leadership and are often catalysts for other rural development activities in the community.

Delinquent Loans

In the current recession, many low and moderate income homeowners risk losing their homes due to an unexpected cut in their income from the loss of work. The delinquency rate in the FmHA Section 502 home ownership program runs as high as 31.3% and averaged 21.7% nationwide as of the end of January. This rate, however, is high in part because of FmHA's method of tracking loan payments in which any delay in payment results in a loan being shown as delinquent.

Due to this high rate of delinquency, assistance such as that which would beprovided by Mr. Gonzales' proposed Housing Act of 1982 and its Homeowners' Emergency Relief Act is critical. This would alleviate further hardship from families already struggling to maintain some measure of financial viability and personal stability during the present economic crisis.

Certainly FmHA's own Section 505 moratorium has assisted many Section 502 borrowers to retain their homes. However, many borrowers do not realize that such assistance exist or that they may be eligible for it. Still others experience difficulty in convincing their county FmHA office of their eligibility. FmHA is required to inform each new borrower of the existence of the moratorium in the event that it is needed. The borrower family, on the day on which their loan is closed with FmHA, is surely excited about their new house and optimistic about their prospects for maintaining that home and meeting their loan obligations for the life of the mortgage. The risk of losing their home that they sought so long to acquire is probably the furthest thing from their mind.

Once a borrower becomes seriously delinquent - generally more than three months' behind - FmHA will send a letter calling his or her attention to the options available: The alternatives usually presented by FmHA in order to avoid foreclosure proceedings are:

(1) To become current in their payments;

(2) To sell the property;

(3) To deed the House back to the government; or

(4) To receive a moratorium (a term which many do notunderstand).

It is fair to say that many lower income families are sufficiently unfamiliar with how to sell a house that they are more likely to deed it back to the government than to realize whatever equity they have accrued. Most do not realize that even partial payment each month can help them retain their home in the 502 program.

Another aspect which may prevent some delinquent borrowers from utilizing this moratorium is the moratorium program's requirement that a borrower be current in his or her payments at the time. Too many, however, are too far behind at the time of application to qualify.

Although the "servicing" of existing loans has been a priority in the work of county FmHA offices for a number of months, the stated goal has been to reduce the delinquency rate through whatever means available. We fear that many who could have remained in decent, safe, and under most circumstances, affordable housing with the assistance of a moratorium or other relief, now have lost or about to lose their homes. The fact hat a foreclosure of one borrower does not make credit more available for another seems particularly harsh in the present

period of widespred financial hardship and tight credit.

We hope that this Subcommittee will strive to insure the prompt availability of emergency mortgage assistance so that we do not see even fewer low and moderate income families having access to the adequate housing they have struggled to acquire.

Farm Labor Housing

Current estimates put the number of housing units needed for migrant and seasonal farmworkers at 1.1 million. A report on farmworker housing conditions done by Inter America Research Associates for the Farmers Home Administration indicates that the supply of in-stream housing for migrant farmworkers is equal to about half the demand. Typically, conditions in labor camps are extremely poor and contribute to the prevalence of illness and disease found in the farmworker population.

As you are familiar with these conditions yourself, Mr. Gonzales, from your own efforts to visit a number of labor camps in various parts of the country, I will not elaborate on them here. In addition, this Subcommittee's hearings on farmworker housing held last September - with subsequent field hearings - provide extensive documentation of the problem.

Your housing bill would enable those seeking to improve housing for farmworkers

to have access to the loans and grants which make this possible. Further, the availability of Section 525 funds to cover the costs of developing solid applications for farmworker housing financing is important, as the ability of nonprofit and farmworker organizations and public bodies to develop applications for projects that can meet farmworker needs is limited without such assistance. We recommend that Section 525 be funded at a level of $5 million, half of which would go to technical assistance related to farmworker housing.

Delivery System

An adequate delivery system is in place in many rural areas that is capable of developing housing and managing it to insure that local needs are met. Most nonprofit housing development corporations, housing authorities and other sponsors will not be able to develop housing for low and moderate income families or for the elderly and handicapped without financing from the Farmers Home Administration.

The small state of Delaware provides a clear example of this: The town of Milford has its share of the states 22,000 substandard housing units. 20.3% or 398 of its 1961 units are substandard, many of them old, overcrowded, dilapidated structures. (Figures from the Delaware State Division of Housing.) The Milford Housing Development Corporation was organized with the local United Methodist Church to deal with this great need. After three years of effort, they were able to open eleven subsidized apartments built with a FmHA Section 515 loan.

With the goal of revitalizing the north end of the town, they obtained a $25,000 revolving loan fund, planning to use it to option delapidated properties and either rehabilitate or construct new units in their place, putting to work whatever was the most appropriate FmHA loan program.

With the proposed housing budget for FY83, their prospects of accomplishing much at all are severely restricted. The projected $384,000 available to the state would build only eleven new units, while fifteen to twenty Section 502 loans would likely be available in the county. A local newspaper article on this is attached.

The Federation of Appalachian Housing Enterprises in Kentucky has long beeninnovative in its approaches to the great housing needs of rural areas in this state. One demonstration house is planned for the small town of Princeton, which, if financed at 1% interest, would mean total monthly housing costs - including utilities - of $100 (excluding land.) They hope to have the design used accepted by FmHA for future single family housing. The potential for this, however, is dubious given that area's anticipated construction of only a very limited number of Section 502 financed houses. Here, innovation and the ability to deal rather successfully with the issue of high housing costs is being cut along with the new financing.

In Berlin, Maryland, a planned 515 project needed so much by the town that block grant (CDBG) funds were used for site acquisition and improvements is

likely not to be built due to an FmHA decision not to give it a high rating. If not financed this year, it probably won't receive financing at all. Phase one of the Berlin Community Housing Corporation's rental development is under construction. As phase two would not be considered part of the same effort by FmHA, those hoping to move into the one and two bedroom units planned simply will have to stay in their shacks. There is nowhere else to go.

We hope that these and other small communities around the country will be able to continue the housing development efforts they have begun and will be able to initiate new ones in response to the great need which remains. We appreciate this Subcommittee's concern for these needs and for the economic stimulation that would result from adequate housing financing.

Housing

9 — Tuesday, February 16, 1982 ★

Milford group battles the crunch

By LEE ANN WALLING
Staff Writer

MILFORD—The burned-out house was an eyesore on the corner of Church and N.W. 2nd streets in Milford, an attraction for rodents and curious children.

But the city could not afford to spend $1,000 to have the house torn down and cleared away, according to City Manager John P. Frederick.

"We'll probably have to eat the cost," he told City Council members in November. "I doubt very seriously if you could get $1,000 for the lot."

Then along came the Milford Housing Development Corp. The non-profit group made arrangements to buy the house and land. A wrecking crew brought the house down Monday.

"We'll sell it to somebody," the Rev. Frank Lucia, president of the housing corporation, said, referring to the small lot with its sewer and water hookups.

The group made it look easy.

Across from the house are the Academy Apartments, a colorful building of brick and wood siding that stands out among the dilapidated frame houses in northwest Milford.

That 11-unit building was a Milford Housing Development Corp. project, also.

The group formed in 1977 after a preliminary study turned up "horrible" housing conditions in the city, Lucia said. The report indicated a "large group who were living in substandard housing."

"Housing is just absolutely locked up here in the city of Milford," the pastor of Avenue United Methodist Church said. "Either you buy a home, or you get one of those apartments that rent for $350 or $400 a month."

The corporation's board, "made up pretty much of an ecumenical group in the community," makes federal grant applications, looks for ramshackle houses and property to buy, deals with the city and helps low-income families get approval for federal loans and subsidies.

"We really operate on a shoestring," Lucia said. "We're not allowed to make a profit."

The group is working with a $25,000 federal Small Town Emphasis Program grant. Its board has applied for a $43,000 administrative grant from the Catholic-oriented Campaign for Human Development. The group is working with the city of Milford to obtain a chunk of the federal Community Development grant money being distributed by the state.

A $350,000 Farmers Home Administration loan financed the Academy Apartments project, completed in 1981.

The 11-family apartment building stands where the Old Milford Academy used to stand, "an old schoolhouse that had a great deal of sentimental value," Lucia said.

It was also infested with rats, dead animals and "groups of teen-agers who met there for ulterior purposes," the pastor said. "It was just a real eyesore in the community."

The housing corporation demolished the old schoolhouse and constructed the apartment building. "From the first day it was filled," Lucia said.

All the people living in the building are on subsidized incomes by the U.S. Department of Housing and Urban Development. One elderly woman pays just $1 a month for her rent, he said.

The corporation "robs Peter to pay Paul," using the subsidy money it gets from HUD to pay off the FmHA loan.

Lucia's group has plans to buy another burnedout house and the five acres around it, located across from Benjamin Banneker Elementary School.

After the house and its outbuildings are cleared away, Lucia said, the group wants to subdivide the five acres into individual lots, between 11 and 15 of them, and arrange low-interest loans for new houses.

"If we can get some of these old buildings knocked down and make (the lots) habitable, it will put more properties on the tax list," he said.

Even so, Lucia's group had some rough going at first.

"We had kind of a long battle in some respects in trying to gain approval for the projects we had in mind," Lucia said. "Some people don't want lowcost housing."

All the skeptics have to do is look at the Academy Apartments, Councilwoman Virginia H. Glenn said. "It can't help but change their minds.

"I think it's just a tremendous thing that they've done," she said. "We are really short on the type of housing that the (group) is trying to make a reality in Milford."

Lucia thinks the city's housing problems are small and manageable enough that his group can make a noticeable difference in Milford, if the money lasts.

"Funds have dried up for this sort of thing," he said, "just when we were about getting started here. It could stop us dead in our tracks."

Staff photo by Lee Ann Walling

REV. FRANK LUCIA. . ."robbing Peter to pay Paul"

A RURAL AMERICA OCCASIONAL PAPER

THE GEOGRAPHY OF THE RURAL CREDIT GAP:

PER CAPITA DEPOSITS AS AN INDICATOR

GEORGE RUCKER, RESEARCH DIRECTOR

February 1982

Rural America
1346 Connecticut Avenue NW Washington DC 20036

GEOGRAPHY OF THE RURAL CREDIT GAP:
PER CAPITA DEPOSITS AS AN INDICATOR

George Rucker, Research Director

There is general agreement that credit is more difficult to obtain in rural than in urban areas. Among recent items of documentation of this fact is a study financed by the Economic Development Administration: An Empirical Analysis of Unmet Demand in Domestic Capital Markets in Five U.S. Regions, which concludes that "it is consistently more difficult to obtain intermediate-and long-term credit in rural areas than in suburban and city locations."

Other evidence includes such indirect indicators as the relative level of deposits in banks and savings and loans. Since these are major sources of credit for residential finance and for small business, their magnitude can serve as an approximate measure of relative credit resources. Obviously this is not an exact measure since banks and savings institutions are not the only sources of credit and since there are some cross-flows of credit between institutions and across geographic lines. Nonetheless, the figures on deposit levels are available by state and county and also by Standard Metropolitan Statistical Area and this makes the data a useful indicator of geographic patterns.

The figures used in this paper are from the Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board. They are as of mid-1980 and in the case of commercial banks and mutual savings banks include both those which are federally insured and those which are not. As noted, they are only an indirect indicator since deposits in one area may provide credit resources for another area and figures on these geographic flows are not readily available. The metro-nonmetro figures also involve another problem in New England. SMSAs in New England are defined on the basis of township rather than county lines, but the FDIC and FHLBB data are provided only down to the county level (or for an entire SMSA). This means that where an SMSA crosses state lines, it is not possible to determine precisely what share of the accounts are to be credited to each state. (This problem affects the metro-nonmetro figures in only four states: Connecticut, Massachusetts, New Hampshire and Rhode Island. It has no impact on the figures for New England as a whole.)

Overview: Magnitude of Deposits

As of 1980 deposits in U. S. commercial banks, mutual savings banks and federally-insured savings and loan associations aggregated nearly 1.8 trillion dollars. The industrial

Table 1

DEPOSITS IN BANKS AND SAVINGS AND LOANS, 1980, FOR METRO AND NONMETRO AREAS

(millions of dollars)

Census Division and Region	ALL AREAS			METRO AREAS			NONMETRO AREAS		
	Banks	S&Ls	TOTAL	Banks	S&Ls	TOTAL	Banks	S&Ls	TOTAL
New England	$ 80,500	$ 9,229	$ 89,730	$ 64,987	$ 7,344	$ 73,330	$ 15,514	$ 1,886	$ 17,400
Mid-Atlantic	375,586	62,172	437,758	352,255	56,580	408,835	23,331	5,592	28,922
NORTHEAST	456,086	71,401	527,488	417,242	63,924	481,166	38,845	7,477	46,322
South Atlantic	128,028	86,078	214,107	90,567	69,806	160,373	37,462	16,272	53,734
East South Central	55,933	17,966	73,899	31,184	12,173	43,357	24,749	5,793	30,542
West South Central	124,299	43,379	167,678	93,202	33,250	126,452	31,097	10,129	41,226
SOUTH	308,261	147,423	455,684	214,953	115,229	330,182	93,308	32,194	125,502
East North Central	203,763	102,489	306,252	160,951	87,038	247,989	42,812	15,451	58,263
West North Central	94,396	39,522	133,918	48,126	24,507	72,633	46,270	15,015	61,285
NORTH CENTRAL	298,159	142,011	440,170	209,076	111,545	320,622	89,083	30,466	119,548
Mountain	46,532	20,694	67,226	28,719	15,328	44,047	17,813	5,366	23,179
Pacific	161,123	103,857	264,890	144,526	95,526	240,052	16,597	8,331	24,928
WEST	207,655	124,551	332,206	173,245	110,854	284,099	34,410	13,697	48,107
US TOTAL	$ 1,270,162	$485,386	$1,755,548	$1,014,516	$ 401,553	$1,416,068	$ 255,646	$ 83,834	$ 339,479

Source: Federal Deposit Insurance Co., Summary of Accounts and Deposits and Federal Home Loan Board, Summary of Savings Accounts by Geographic Area.

Metro/Nonmetro as defined in 1980

Components don't always add to total because of rounding

northeast -- the Mid-Atlantic and East North Central Census Divisions -- accounted for 42 percent of this total. The Rocky Mountain Division, on the other hand, could claim less than four percent of it. (Regional deposit figures are given in Table 1.)

Deposits in federally-insured savings associations accounted for only $485.4 million, or 27.6 percent of the total. These were most important in the South Atlantic area and least important in New England and in other areas where mutual savings banks often substitute for savings and loan activities. Florida is the only state in which there were more deposits in savings and loans than in banks, but in four other states (South Carolina, Ohio, California and Hawaii), savings and loan accounts were equal to forty percent or more of the total.

The states with the most deposits in absolute terms are those one would expect: New York, with $288 billion and California, with more than $209 billion, lead the way; Illinois and Texas each had more than $100 billion; and four other states (Pennsylvania, Florida, Ohio and Michigan),

Table 9

BANK AND SAVINGS & LOAN DEPOSITS, PER CAPITA, 1960, URBAN AND NONURBAN AREAS

Census Division and Region	1960 Deposits Total	Urban	Nonurban	Per Capita Deposits Total	Urban	Nonurban	Nonurban as % Urban
New England	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mid Atlantic	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Northeast	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South Atlantic	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
East South Central	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
West South Central	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
East North Central	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
West North Central	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North Central	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mountain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
West	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

showed in excess of $50 billion each. When deposits are put on a per capita basis, five of these states (New York, Illinois, California, Florida and Pennsylvania), continue to rank in the top ten but they are joined by Connecticut and four farm belt states: North Dakota, which ranks third in the nation in per capita deposits, Kansas, Nebraska and Iowa. Thus, the West North Central Census Division ranks second to the Mid-Atlantic Division in terms of per capita deposits. (Regional population and per capita deposit figures are displayed in Table 2.)

At the other end of the spectrum in terms of relative credit resources are the states of the Old South plus a sprinkling of Rocky Mountain states. At the bottom is South Carolina, which reported only $3620 in deposits per capita. Four other Southern states (North Carolina, Alabama, Mississippi, and Georgia), along with Utah and West Virginia, had less than $5,000 per capita in deposits in 1980. Filling out the list of ten "poorest" states were Virginia, Idaho and Maryland, each with just a little over $5,000 per capita in deposits.

The Nonmetro Disadvantage

A look at the figures in Tables 1 and 2 confirms that nonmetropolitan areas, with 27 percent of the nation's people, account for only 19 percent of the deposits in banks and savings and loans. Put another way, deposits per capita in nonmetro areas are only sixty-five percent those in metro areas. The disparity is most pronounced in the Mid-Atlantic Division, where New York's role as a financial center obviously distorts the comparison a good deal. But it remains true that only in the West North Central Division, with its farm states, does the relative level of deposits in nonmetro areas come up to ninety-percent of those in metro areas. And, leaving New York completely aside, there are five other states (Alaska, Arizona, Maine, California, and Pennsylvania), in which nonmetro deposits per capita are less than two-thirds the level of metro deposits per capita, and there are eleven more states in which the level of per capita deposits in nonmetro areas does not exceed three-fourths of the level in metro areas. The median level for the forty-four states with precise data is 79.9 percent (i.e., nonmetro deposits per capita are less than four-fifths the metro level).

There are only five states in which nonmetro deposits are as large as metro deposits: One of these is Rhode Island and the figures there are subject to uncertainty (as previously noted). The other four are all farm states: Nebraska, Kansas, Iowa and Washington. In another seven states (most of which can also be classed as farm states), the relative level of nonmetro deposits is within ten percent of the metro level. Only one (Maryland) is below the Mason-Dixon Line, and four (Nevada, Utah, Colorado and South Dakota), are west of Mississippi.

Summary

As of 1980 the United States had an aggregate of almost $1.8 trillion in deposits in its major thrift institutions. Sixty-four percent of that total was in commercial banks, the remainder in mutual savings banks and federally-insured savings and loan associations. (Mutual savings banks, located in only six states outside of the ten New England and mid-Atlantic states, made up only eight percent of the total.)

Given the 1980 population of 226.5 million, this works out to an average of $7,751 per person in deposits. These potential credit resources were far from evenly divided geographically. The range was from a low of $3,361 per capita in the nonmetropolitan areas of South Carolina to $17,891 in the metropolitan areas of New York (reflecting one of the world's financial centers).

Nationally, the relative level of deposits in nonmetro areas were less than sixty-five percent their level in metro areas. The median relationship was a nonmetro level of deposits almost exactly four-fifths that of metro areas. Again, the range was substantial -- from five states (four of them principally farming states), in which the nonmetro level of deposits exceeded the metro level to seven in which the non-metro level was a third or more below the metro level. Regionally, if one excludes New York as a special case, the sharpest nonmetro disadvantage is evident in the South Atlantic and Pacific areas. The least nonmetro disadvantage is evident in the West North Central area.

Appendix Table

PER CAPITA DEPOSITS IN BANKS AND FSLIC-INSURED SAVINGS AND LOAN ASSOCIATIONS, 1980

	Population		Per Capita Deposits		
	Total (000s)	Percent Nonmetro	All Areas	Metro Areas	Nonmetro Areas
Maine	1,125	77.2%	$ 5,200	$ 7,428	$ 4,543
N.H.	921	63.7	6,647	(7,933)	(5,915)
Vt.	512	100.0	5,850	--	(5,850)
Mass.	5,737	14.7	7,072	(7,506)	(4,554)
R.I.	947	7.8	7,323	(7,128)	(9,625)
Conn.	3,108	11.7	8,773	(9.049)	(6,689)
New Engl.	12,348	26.3%	$ 7,266	$ 9,949	$ 5,356
N.Y.	17,557	12.0%	$16,405	$17,891	$ 5,464
N.J.	7,364	8.6	7,782	7,816	7,414
Penn.	11,867	20.1	7,788	8,403	5,347
Mid-Atlantic	36,788	13.9%	$11,899	$12,909	$ 5,650
NORTH EAST	49,137	17.0%	$10,735	$11,802	$ 5,536
Del.	595	33.0%	$ 6,528	$ 7,046	$ 5,475
Md.	4,216	15.8	5,121	5,149	4,970
Va.	5,346	34.6	5,063	5,274	4,663
W.Va.	1,950	64.3	4,881	5,862	4,337
N.C.	5,874	54.6	4,438	5,278	3,738
S.C.	3,119	51.5	3,620	3,895	3,361
Ga.	5,464	42.4	4,923	5,568	4,048
Fla.	9,740	14.5	8,147	8,504	6,040
South Atlantic #	36,943	33.9%	$ 5,796	$ 6,563	$ 4,297
Kent.	3,661	55.5%	$ 5,418	$ 6,509	$ 4,544
Tenn.	4,591	37.2	5,331	5,783	4,568
Ala.	3,890	38.0	4,594	5,115	3,744
Miss.	2,521	72.9	4,840	5,469	4,342
East So. Cent.	14,663	48.1%	$ 5,040	$ 5,699	$ 4,330
Ark.	2,286	60.9%	$ 5,602	$ 6,375	$ 5,105
La.	4,204	36.6	6,251	7,014	4,929
Okla.	3,025	41.5	7,115	7,724	6,256
Texas	14,228	20.4	7,525	7,807	6,429
West So. Cent.	23,743	29.9%	$ 7,062	$ 7,594	$ 5,813
SOUTH #	75,349	35.4%	$ 6,048	$ 6,780	$ 4,709

PER CAPITA DEPOSITS IN BANKS AND FSLIC-INSURED SAVINGS AND LOAN ASSOCIATIONS, 1980, page two

	Population		Per Capita Deposits		
	Total (000s)	Percent Nonmetro	All Areas	Metro Areas	Nonmetro Areas
Ohio	10,797	20.9%	$ 6,608	$ 6,911	$ 5,457
Ind.	5,490	30.2	6,256	6,320	6,109
Ill.	11,418	19.0	9,996	10,553	7,624
Mich.	9,258	19.1	5,984	6,224	4,967
Wisc.	4,705	37.7	6,591	6,994	5,924
East No. Cent.	41,670	23.1%	$ 7,350	$ 7,738	$ 6,055
Minn.	4,077	35.4%	7,550	8,009	6,714
Iowa	2,913	59.9	7,856	7,654	7,990
Mo.	4,917	37.3	7,534	8,352	6,156
N.D.	653	64.1	9,281	10,374	8,669
S.D.	690	84.1	7,468	8,103	7,349
Neb.	1,570	55.8	8,188	7,320	8,874
Kans.	2,332	53.9	8,205	7,640	8,502
West No. Cent.	17,184	47.5%	$ 7,793	$ 8,045	$ 7,515
NORTH CENT.	58,854	30.2%	$ 7,479	$ 7,806	$ 6,724
Mont.	787	76.0%	$ 6,819	$ 7,792	$ 6,512
Idaho	944	81.7	5,114	6,128	4,887
Wyo.	471	100.0	7,708	--	7,708
Colo.	2,899	19.1	6,685	6,795	6,217
N.M.	1,300	57.6	5,393	5,802	5,093
Ariz.	2,718	25.0	5,730	6,410	3,686
Utah	1,461	21.0	4,544	4,617	4,269
Nev.	799	18.0	6,093	6,172	5,740
Rocky Mntn.	11,368	37.6%	$ 5,913	$ 6,206	$ 5,427
Wash.	4,130	23.9%	$ 6,747	$ 6,716	$ 6,845
Ore.	2,633	40.2	6,948	7,985	5,405
Cal.	23,669	7.6	8,849	9,105	5,754
Alas.	400	56.8	5,389	7,332	3,912
Haw.	965	20.9	7,474	7,913	5,816
Pacif.	31,797	13.5%	$ 8,334	$ 8,724	$ 5,824
WEST	43,165	19.8%	$ 7,696	$ 8,208	$ 5,626
U.S. #	226,505	27.1%	$ 7,751	$ 8,574	$ 5,534

Includes District of Columbia - not shown separately
() Partially estimated.
Source: 1980 Census; FDIC, Summary of Accounts and Deposits; FHLBB, Summary of Savings Accounts by Geographic Area.

Mr. LOWRY. Thank you very much, Ms. Kleimo, for very meaningful testimony.

If it is all right, we will just go right down the line, Mr. Wilson next.

STATEMENT OF HAROLD O. WILSON, EXECUTIVE DIRECTOR, HOUSING ASSISTANCE COUNCIL

Mr. WILSON. I think I am next, Mr. Chairman.

First of all, I would like to thank you very much for the opportunity to appear before the committee and present our views on the impact of the 1983 budget and to discuss in our testimony the present bill that the committee has presented.

Before I get into my statement, however, I would like to indicate that at the Housing Assistance Council we support also very strongly the comments that you heard from Florence Roisman and Cushing Dolbeare as well, particularly the comments about public housing.

As you may be aware, I think something in the neighborhood of almost 43 percent of all of the public housing developed has been developed in nonmetropolitan areas of this country and some of it in very rural parts of the United States, and where the public housing program has been used there, it has been an extremely effective and well operated program. It would be a severe tragedy to rural communities to see the public housing program disappear, so we support very strongly their comments in that regard.

The Housing Assistance Council has been in operation now for a little over 10 years, and I do not think in the history of our lifetime we have ever seen proposed changes in the method of delivering and supporting housing that we see today, that will have the kind of deleterious effect on low-income people that this will have.

I think that the proposals that we face today can in a sense be summed up in one very broad theme. Simply stated, the Federal Government is getting out of the assisted housing business, and the HUD budget for fiscal year 1983 testifies to this with its virtual elimination of the fiscal year 1982 pipeline and its elimination of the programs, except for what we call anyway a voucher suggestion, and a small block grant rehab program for 1983.

In addition, we are extremely concerned about the proposals for the Farmers Home Administration in the 1983 budget. If one looks behind the budget numbers at some of the justification statements that are made to support those numbers, it becomes very clear that there is a movement under way to dismantle the housing production capacities of this, I think, very fine organization.

We would like to suggest that the budget for 1983 is in fact a prebudget, a forerunner, if you would, for a zero level of funding for the Farmers Home Administration in fiscal year 1984. The themes that the document entitled "Major Themes and Additional Budget Details" presents on the Farmers Home Administration states that the administration intends to reduce dependence on the Federal Government as a supplier of credit in rural areas, that rural areas are already adequately served by private credit markets, and that the Farmers Home Administration shall not be viewed as a major lender for rural housing activities.

It further indicates that truly needy households will be the primary beneficiaries of the rural housing programs. Well, this statement is somewhat contradictory in the sense that the targeting provision that would target the programs to low-income people in rural communities has been eliminated.

In addition, there is no request for rental assistance money that would allow both the rural rental program and the farm labor housing program to serve low-income people. So it is beyond us to understand how the programs, without those two, particularly without those two, can be the primary beneficiaries of the poor.

The use of rental assistance, as you are perhaps aware, permits the agency to serve very low income-families, elderly and farm workers, through both the 515 program and the 514/516 program. Without doubt, the section 515 program certainly fills a need, but it is not going to reach the poor in rural communities without rental assistance.

The administration essentially proposes enough rental assistance in the 1983 budget for renewal of existing contracts and to do what they call patching out of existing projects or to bring people who are paying more than 25 percent of their income some subsidy so they can stay in those project.

This attitude, however, of no new construction units for the 515 program signals, in a sense, the end of the use of the FmHA rental program for low income, and we would urge you to support the level for rental assistance that is in H.R. 5731. Our estimation is that this funding level will provide for somewhat over 16,000 additional units of 515 assistance for the truly needy or the rural poor, if they are combined with 5-year contract commitments.

In addition, rental assistance funds for new construction will also allow the farm labor housing program to operate effectively this year. I believe no group of American workers continually earns less than farm laborers in our country. While excessive unemployment has proved devastating for a great many Americans today, farmworkers face economic and social privation day after day and year after year. Rental assistance for the farm labor housing programs will help ease this burden and will allow for the construction, we would hope, of about 1,000 units of farm labor housing this year.

I believe that the committee is well aware that in today's world the word "subsidy" is a very unpopular word. One hesitates almost to mention it in testimony any more. But it seems that subsidy is only unpopular as long as it refers to benefits for the poor. When benefits are for others, the subsidies are generally called incentives, and incentives appear to be quite acceptable.

I would like to suggest to you, then, that what the poor need if they are going to live in decent, affordable housing are some incentives, and in fact they are going to need some very deep incentives. By whatever word you call it, there is going to have to be some form of assistance that will allow them to pay the difference between what decent housing costs and what they are able to afford on their own.

I would like to mention the fact that the Farmers Home Administration programs this year, in 1982, are not moving as quickly as one would like to see them move in terms of their production to

date. They have only obligated about 16.7 percent of the funds, and we are about 41 percent or 42 percent into the year.

One of the reasons for this is a concentration on delinquencies and loan servicing, and this comes as a result of the prodding of the Congress for them to get their delinquencies under control, and also their own fiscal sense of responsibility.

I would like to simply respond to that by saying that I believe that we have to remember that the Farmers Home Administration is a lender of last resort. The Farmers Home Administration tends to deal with people who are innocents on the edge of disaster anyway. When hard times come, they are the first to feel it.

Even though the delinquency rate right now may be running a little bit over 25-percent nationally, I think it is very important for the Congress to realize that in terms of actual losses to the program the loss of principal in the history of the Farmers Home Administration program is less than 1 percent. In fact, it is .14 percent.

If one were to take all of the inventory property that the Farmers Home Administration currently has, liquidate that property today and write off the losses from that property, it would amount to less than 1 percent of their production. While loan servicing is certainly important, I think that it is also important for Farmers Home to continue to make loans as well.

In this fast-changing world I believe there are precious few things that seem to be worth preserving today and I would like to offer a couple to you in conclusion. I think the first thing worth preserving is the principle that there is nothing wrong with helping the poor. There is nothing wrong with people acting in a collective body called the Federal Government to pool their resources to provide assistance to those who are unable to provide for themselves. I think we need to continue to remind ourselves of that.

Second, a structure that provides decent, affordable housing is also worth preserving, and I believe worth paying for. These programs and assistance have been forged by the wisdom of Congress over more than a 30-year period, and it is unconscionable to try to do away with them in a few months time period without providing any suitable alternatives.

The Farmers Home Administration, even though we knock and we have our quarrels with them, is an excellent institution for delivering housing to rural communities. Their programs have proven to be extremely effective over the years. We would like to fine tune them a little bit now and then, but basically it is a very effective organization and it needs to be preserved.

And Mr. Lowry, I am afraid that in this budget what we are facing is perhaps the elimination of that very fine agency.

Thank you very much.

[Mr. Wilson's prepared statement, on behalf of the Housing Assistance Council, follows:]

TESTIMONY OF

HAROLD O. WILSON, EXECUTIVE DIRECTOR

HOUSING ASSISTANCE COUNCIL

Mr. Chairman, my name is Harold O. Wilson and I am the Executive Director of the Housing Assistance Council. The Housing Assistance Council is a national nonprofit housing technical assistance organization which seeks to assist in the provision of housing for low income rural families by providing technical assistance and seed money loan funds to rural development organizations. The Council has been in operation for over ten years, and never have we seen such sweeping changes that will impact adversely on the poor as we see at the current time. In our testimony, we will review some of these changes and attempt to assess their impact on the rural poor and the rural housing delivery network.

The proposals we face are reflective of a broad theme that is now familiar to all of us: simply stated, the Federal government is getting out of the housing assistance business. The HUD budget for FY'83 testifies to this attitude with the elimination of the FY'82 pipeline and virtually all of the assisted housing for FY'83 except for a minimal number of vouchers and a small rehab block grant program. In addition, if we can believe the message of the FY'83 budget document entitled Major Themes and Additional Budget Details and the recommendations of the rural task force of the President's Commission on Housing, we are facing the virtual elimination of the Farmers Home Administration housing programs.

The budget is, in fact, a pre-budget and forerunner of a zero level rural housing request for FY 1984. Its Major Themes

document states that the Administration intends to reduce dependence on the Federal Government as a supplier of credit; that rural areas are adequately served by private credit markets; and that the Farmers Home Administration shall not be viewed as a major lender for rural housing. It indicates that truly needy households will be the primary beneficiaries of the rural housing programs (what is left of them).

We would point out that there is an inherent contradiction in claims of intention to serve the most needy which accompany proposals to obliterate the few programs that have served them in the past. FmHA is requesting no rental assistance units for new projects in fiscal year 1983, thus preventing the poor from becoming tenants in units provided during that year. The effects are aggravated by the loss of HUD's Section 8 new construction with its rural set-aside of units.

Moreover, FmHA has already removed weighted priorities from the Section 502 regulations. Those priorities would provide assurance of a first chance at approval for families with incomes at or below 50 percent of area median income, and/or for those living in substandard housing. We remind you that Section 517(O)(2), enacted in 1979, requires that "to the extent practicable," 30 percent of FmHA program funds serve those at or below 50 percent of area median income.

The Housing Assistance Council supports measures that will force FmHA to focus rural housing resources to the "truly needy". We support the provision in HR 5731 which maintains the current level of rental assistance, and requires that $173

million of the authorization be for new projects, as one means of focusing on the truly needy. Additionally we urge that you specify the use of 5 year contracts, as outlined in the Administration budget, so that approximately 16,600 new rural rental and farm labor housing units can be assisted. HAC strongly urges you to adopt legislation that will compel FmHA to focus the Section 502 and Section 515 programs on those with incomes at or below 50 percent of area median income, or living in substandard housing. Appendix D is a sample of such legislation. We certainly have good reason to believe that the spirit of Section 517(0)(2) can only be accomplished through specifically legislated priorities. Appendix C to this testimony provides you with an analysis of the agency's 517(0)(2) record for fiscal 1981 and the first quarter of 1982. Only 13.9 percent of the 502 loans were made to very low income families in 1981 and this dropped to 10.6 percent in 1982.

A second theme suggests that rural areas generally are adequately served by private credit markets. The Housing Assistance Council challenges this assumption by OMB. Credit gaps in rural areas dictate continuing the FmHA direct delivery system. Approximately one-half of all rural counties have no savings and loan institutions; many of those present are in financial difficulty. HUD-FHA insured lending in rural areas accounts for less than 2% of its overall activity. The FmHA delivery network is the only system which reaches low- and moderate-income households in rural areas. Regardless of a decrease in market interest rates, rural low-income households

will continue to need FmHA's loan programs in order to afford decent housing.

Even if private credit institutions were adequately serving rural areas, a supposition contradicted by sagging rural building starts and sluggish real estate sales, most families within the FmHA eligible income populations could not afford to borrow from them, even at the level of interest prevailing a decade ago. In fact, throughout the history of FmHA, credit institutions have never adequately served individual mortgage needs in rural areas.

The average 1981 FmHA Section 502 borrower had a gross income of $10,638, and 38.5 percent of those borrowers had incomes below $10,000. Their downpayment averaged $660 and 16,418 borrowers made no downpayment at all. Surely the Administration does not expect the Congress to believe that the private credit market can and will serve these families. You need only ask the nearest banker. We do not want FmHA to compete with private credit, but it should remain the lender of last resort.

FmHA has assembled living cost data which points out the financial difficulties faced by families seeking housing and whose incomes are $10,000 or below. For the family with an adjusted income of $10,000 (and gross of $11,574), food, transportation, non-real estate taxes and other costs total $8,978. This leaves a balance of $2,596 for all shelter costs. Even with a 1 percent mortgage such a family must trim $709 from

this budget to afford the average new 502 dwelling, at 1981 costs.

Affordability must be of paramount consideration when assessing parameters for the rural housing programs. The average FmHA borrower has an income which limits flexibility in housing choice and payments. With this in mind we recommend that you revise HR 5731 to eliminate the 30 percent tenant payment requirement. At the very least we ask you not to require 30 percent of those with incomes at or below 50 percent of area median income.

A third theme in the OMB explanation justifies the proposed and drastic reductions (67% overall), by noting that more staff time will be available for counseling and supervision. There are two issues raised with this concept. First, there is a tendency to cut staff as programs are reduced. Second, and more important, there is an unjustified preoccupation with rural housing delinquency on the part of both the Administration and Congress.

Delinquency is a manifestation of severe rural economic conditions. FmHA borrowers are low on the economic ladder. They have little or no reserves and are in the forefront of those likely to be furloughed from employment. FmHA has used delinquency reduction to withhold Section 502 funds and deny access to pooling from 19 states, Puerto Rico, and the U.S. Virgin Islands. In some states offices with fairly high delinquency are not authorized to approve loans. Such edicts are made without regard to levels of unemployment, or the living conditions of

93-366 O—82——32

eligible applicants. In fact, delinquency, and the loan servicing campaign has provided the Administration with a perfect foil with which to hold down loan making (spending). See Appendix B which outlines activity for the first 5 months in FY 1982. Only 16.7 percent of authorized funds have been obligated after expiration of 41.7 percent of the fiscal year. At this rate of obligation, less than half of the appropriated funds will be used.

Delinquency percentages should not be disregarded and we agree that servicing is very important. Given our apparent compatibility with OMB on this issue, we fail to understand why there is no request for Section 525 counseling funds. Appendix E is a description of rural housing accounts and their status. The write-off category is most important. Since FmHA inception through September 30, 1982 only 0.14 percent of principal has been written off. Moreover, even if all its current inventory were to be lost, it would amount to less than 1% of all FmHA's outstanding principal.

The Housing Commission goes further than OMB and recommends that the Farmers Home Administration's interest subsidies be given to the state as a block grant primarily for rehabilitation activities; that no more interest credit be made available on loans; that FmHA should support the substitution of private credit for Federal assistance; and that FmHA should contract out its lending and debt servicing.

Add all this to the elimination of the Community Services Administration and the cuts in other social programs, and it becomes clear that the very poor of our society are not on the agenda of the Federal government in any positive way. Indeed the ancient parable is being played out all too well that says: "To him who has much, much shall be given and to him who has little, even the little that he has shall be taken away."

The Housing Assistance Council recommendations for FmHA authorizations are essentially at the FY 1982 levels (with the exception of Sec. 523, see below). They provide for continuation of the programs while Congress can perform indepth assessments on the extent of the Federal role in housing. We firmly believe that both a strong Federal role and maintenance of the FmHA delivery system are necessary for poor people and for the well being of rural America. Our recommendations, in table form, appear in Appendix A.

The most important FmHA housing program is rental assistance. The use of rental assistance permits the agency to serve lower income families, elderly and farmworkers through the Section 515 Rental Program and the Section 514/516 Farm Labor Housing Program. Without it, the Section 515 program fills a need, but not that of the truly needy. The Administration essentially proposes only enough rental assistance for renewal of expiring contracts. It signals the end of the use of FmHA rental programs for the very low income. We urge you to support the level in HR. 5731.

No group of American workers continually earn less than farm laborers. While excessive unemployment has proved devastating to far too many American families, farmworkers face economic and social privation on a day to day, year to year basis. The FmHA Farm Labor Housing program is no substitute for improved income. It has also been no resounding success in terms of total housing units produced. The FY 1983 production (1090 in the Administration budget, 1303 in the National Rural Housing Coalition alternative proposal) is meager in the face of the 756,196 farm labor housing units needed that do not now exist, but is still important. FmHA will soon publish final seasonal housing standards for the program. These together with the availability of rental assistance, will improve its ability to serve migrant workers. We urge you to continue supporting the program in spite of FmHA's past low level of commitment to fully using it for production.

The Housing Assistance Council deplores attempts to end the FmHA Self-Help Housing Program, and applauds support for it in HR 5731. Self-Help Housing provides three important services to rural America. First it reduces income affordability for the Section 502 program. Second, it does so at approximately $9,200 less per unit than average newly constructed units in the same areas. Third, it requires less interest credit than regular 502 loans. The cost of Section 523 Technical Assistance Grants per unit is offset by the reduction in interest credit subsidy in approximately 5 years.

The obvious, and most American, benefit of the Self-Help program is people working hard to help themselves. The FmHA program is a true self-help concept where family labor does materially reduce the cost of housing. It is difficult for us to understand how such a program is not in the public interest.

The 1983 budget proposal would reduce the Section 502 level from $2.743 billion to $900 million. We cannot argue that this program will serve the lower income levels made possible by combining Section 515 or 514/516 with rental assistance, or through the Section 504 very low-income loan and grant program. However, 13.9 percent of the FY 1981 502 loans did serve very low income families and with previously suggested targeting legislation FmHA could improve on that record.

A more necessary consideration for the coming fiscal year is the importance of the 502 program to rural builders. The present lack of housing activity is directly due to interest rates. To cut almost 55,200 units at a time when rural home builders are suffering severely seems incomprehensible. The agenda of the Housing Assistance Council and the homebuilders may vary on some issues, but we vigorously support the necessity of a healthy building industry.

No program is any better than FmHA's complete delivery system, already in place, and the only credit delivery system for remote areas. The Administration proposes to continue the farm programs which also rely on the county/district office network; it would be an obvious waste to not make use of the system for those other credit needs which will not be met by the private sector.

Concerning HUD programs, another of this year's discouraging developments has been the regulatory weakening of the Small Cities block grant program, in the past the most flexible rural low-income housing resource. HUD's latest regulations, due to be published as final on April 1, are an improvement over its Interim Rule, but are still grossly inadequate to prevent the possibility that the program could become little more than general revenue sharing, that is, without defined eligible activities or target population. Judging by their stated intentions, this possibility is rapidly becoming fact in several states which have chosen to administer the program on a non-competitive basis.

At a minimum, the regulations should protect the statutory mandate that activities be carried out "principally for those of low and moderate income" by requiring exactly that as a thresh-hold criterion for grant awards. And, while the Subcommittee is to be commended for moving HUD closer to a standard definition of "low and moderate income", the language is still confusing and begs for clarification in law. Together with the lack of other prescriptions for use of funds, the confusion that might be anticipated makes imperative that there be provision for vigorous monitoring and a Small Cities oversight hearing at the end of the program year.

Moreover, given the present economic environment with housing starts at historic lows, we also see the need for a Multifamily Housing Production Program. However, we are disturbed by the shift in funds from providing low-income or even moderate income housing, to providing the market rate housing

that this program represents. We recommend that 40% (double the HR 5731 requirement) of the units be occupied by persons and families whose income does not exceed 80 percent of the area median income and, that, of this amount and to the extent practicable, 30% be occupied by persons and families whose income does not exceed 50% of area median.

Further, there is no specific allocation of funds for nonmetro areas, which have only 32% of the population but 38% of the poverty and 64% of substandard housing (measured by the lack of some or all plumbing facilities). Three-fourths of this substandard housing is in rural communities of under 2500. We urge that a third or at a minimum 25% of the Multifamily Housing Production Program funds be allocated to nonmetropolitan areas and that 75% of these funds be allocated to the rural communities of under 2500.

As the Committee is well aware, "subsidy" is an unpopular word in Washington today as long as it is used to refer to benefits for the poor. When they are for others however, subsidies are called incentives and appear to be quite acceptable. We would like to suggest then that what the poor need, if they are going to live in decent affordable housing, are "incentives"; in fact they need deep incentives or some form of assistance that will allow them to pay the difference between what decent housing costs and what they are able to afford out of their own incomes.

In this fast changing world their are precious few things worth preserving but we would like to suggest a few to you: 1) the first thing worth preserving is the principle that there is nothing wrong with helping the poor. There is nothing wrong with people acting in a collective body called the Federal government to provide assistance to those who are unable to provide for themselves.

A structure that provides decent affordable housing is also worth preserving and worth paying for. These programs and assistance have been forged by the wisdom of the Congress over a thirty year period and it is unconscionable to try to do away with them in a few months without providing any suitable alternatives. Finally, if the rural poor are going to receive the assistance that they need, then it is vitally necessary that a housing delivery mechanism be preserved that will deliver housing services to the remote rural areas of our country. The present rural delivery network has been in the process of development for over 15 years now and it would be a tragedy to see that already crippled delivery system eliminated at this time.

APPENDIX A
Page 1 of 2

FmHA RURAL HOUSING PROGRAMS

Dollar Levels Fiscal Years 1979-1983

(Dollars in Millions)

	1979 Actual	1980 Actual	1981 Actual	1982 Estimated	1983 Budget	1983 HAC Proposal
502 RH Subsidized	$2,007	$2,220	$2,328	$2,300	$ 900	$2,300
502 RH Unsubsidized	859	604	256	430	0	400
502 RH Guaranteed	11.9	18.9	5.7	0	0	0
504 Low Income Repair Loans	14.7	21.9	17.9	24	24	24
504 Low Income Repair Grants	19	24	22.7	15	12.5	24
514 Farm Labor Housing Loans	36.3	24.6	18.5	25.6	19	25
516 Farm Labor Housing Grants (a)	32.4	22.3	10.5	22	23.2	25
515 Rural Rental Subsidized	822	825	842.5	940	200	940
515 Rural Rental Unsubsidized	48	56	22.3	0	0	0
523 Self-Help T.A. Grants	5.6	6.2	12.4	5.2	0	20
523 Self-Help Land Loans	1.7	0.4	0.5	2	0	2
524 Site Loans	3	0.8	0.5	5	2	5
525 T.S.A. Grants	2.5	1.5	1	0	0	5
Rental Assistance Contracts	423	393	403	398	185	400
TOTAL	$4,286.1	$4,218.6	$3,941.5	$4,166.8	$1,365.7	$4,170

(a) Reflects deferral of $10,728 million in FY'82 to FY'83

APPENDIX A
Page 2 of 2

FmHA RURAL HOUSING UNIT ESTIMATES

FY 1979-1983

	1979	1980	1981	1982	BUDGET 1983	HAC Proposal 1983
502 RH Subsidized	64,264	62,739	61,544	55,800	20,100	61,133
502 RH Unsubsidized	29,136	18,918	7,990	11,700	0	14,233
502 RH Guaranteed	374	590	172	0	0	0
504 Low Income Repair Loans	5,213	6,934	5,296	6,440	5,900	6,351
504 Low Income Repair Grants	6,842	8,589	7,687	5,651	3,515	6,479
514/516 Farm Labor Housing(a)	2,575	1,490	890	1,340	1,090	1,303
515 Rural Rental Housing	38,650	33,100	29,500	29,400	5,740	27,434
TOTAL	147,054	132,360	113,079	110,331	36,345	116,933
RENTAL ASSISTANCE UNITS(b)	22,623	20,000	17,655	14,280	17,560	37,960

NOTE: 502 loans and 504 loans and grants are counted as units. 514/516 and 514 units are based on FmHA data, and calculations from budget estimates and actual expenditures.

(a) Reflects deferral of $10,728 million dollars in FY 1982 to FY 1983

(b) Administration proposes all 1983 budgets for renewals and units in existing projects, HAC's proposal includes 16,610 units for new projects (priority for FLH with 1000 units)

Appendix B

FARMERS HOME ADMINISTRATION

RURAL HOUSING OBLIGATIONS FY 1982
USE THROUGH FIRST FIVE MONTHS

(Dollars in Thousands)

PROGRAM	APPROPRIATION	41.7% (a) APPROPRIATION	OBLIGATED 2/28/82	PERCENTAGE OBLIGATED
502 Subsidized	$ 2,300,000	$ 959,100	$ 539,425	23.5%
502 Un-subsidized	430,000	179,310	48,429	11.3%
504 Loans	24,000	10.008	3,480	14.5%
504 Grants	17,257 (b)	7,196	3,852	22.3%
514 FLH Loans	25,600	10,675	2,336	9.1%
516 FLH Grants	31,863 (c)	13,287	210	.7% (d)
515 RRH	940,000	391,980	31,400	3.3%
523 T.A.	4,773 (b)	1,990	1,266	26.5%
523 Site	1,146	478	260	22.7%
524 Site	5,000	2,085	0	0
TOTALS:	$ 3,779,639	$ 1,576,109	$ 630,658	16.7% (e)
RENTAL ASSISTANCE	$ 398,000	$ 165,966	$ 53,488	13.4% (f)

(a) 41.7% = approximately 5/12 of the appropriation

(b) Includes carryover funds from FY 1981

(c) Includes carryover from FY 1981, but:

(1) Administration calculates balance at 32,728, and

(2) On Feb. 10, 1982 filed for a deferral of 10,728, leaving a balance available of 22,000 41.7% of 22,000 = 9,174

(d) Based on $22,000 available, percentage = .95%

(e) Percentage of funds obligated after 5 months = 16.7%

(f) Percentage R.A. units obligated after 5 months = 14.7%

Appendix C

FmHA RECORD FOR REACHING THE GOAL OF 30%
OF FUNDS TO THOSE BELOW 50% OF
AREA MEDIAN INCOME
FY 1981

1- Section 502[a]	Total Dollars -	$ 2,589,329,000
	Below 50% Dollars	341,262,000
	Percentage Below 50%	13.2%
2- Section 504 Loans and Grants	Total Dollars	40,614,000
	Below 50% Dollars	33,569,000
	Percentage Below 50%	82.7%
3- Section 514/516	Total Dollars	29,066,000
	Below 50% Dollars	29,066,000[b]
	Percentage Below 50%	100%
4- Section 515	Total Dollars	864,765,000
	Below 50% Dollars	403,845,260[c]
	Percentage Below 50%	46.7%
5- Total 4 programs	Total Dollars	$ 3,523,774,000
	Below 50% Dollars	$ 807,742,260
	Percentage Below 50%	22.9%

(a) From FmHA report code 638
(b) HAC assumption that all farmworkers served are under 50%
(c) Based on percentage of 1981 units with Rental Assistance and Section 8 (total = 29,500, R.A. 4,852, Sec. 8 =8,910=46.7%) Sec. 8 = Reservations for 1981.

Percent of 502 and 504 loans made to those under 50% of area median income in FY 1981 (Report code 638)

	Total Loans	Under 50%	Percentage Under 50%
502	87,415	12,127	13.9%
504 (Loans&Grants)	13,486	11,426	84.7%
TOTAL	100,901	23,553	23.3%

Percent of FmHA Section 502 Loans and Section 504 Loans and Grants to those at or below 50% of area median income

(First Quarter FY 1982)

	Total	Below 50%	Percent Below 50%
1- Section 502			
Number of loans	12,496	1,327	10.6%
Dollars	$352,367,000	$33,419,000	9.5%
2- Section 504 Loans and Grants			
Number	1,323	1,054	79.7%
Dollars	$ 4,020,000	$ 3,087,000	76.8%
3- Total 502 & 504			
Number	13,819	2,381	17.2%
Dollars	$356,387,000	$36,506,000	10.2%

NOTE: First quarter figures are poorer than for FY 1981. The combined 502 and 504 loan numbers were at 23.3%, and the dollars at 14.3% for FY 1981. The new figures show a performance decline of 6.1% and 4.1% respectively. HAC anticipates improvement in Section 504 when the new eligibility guidelines are made final. Unfortunately, without priorities, we see no improvement for Section 502.

Source: FmHA Report Code 638

Appendix D

Section 510 of the Housing Act of 1949 is amended as follows:

Subsections (h), (i) and (j) are redesignated subsections (i), (j) and (k) respectively and a new subsection (h) is inserted as follows:

"(h) issues rules which will be effective not later than 180 days after the date of enactment hereof, which shall assure, to the extent practicable, that assistance under this Title go to applicants most in need. In this regard, such rules shall provide that applications for assistance from households with the lowest incomes and most severe housing problems receive priority consideration for assistance. In determining which applications demonstrate the most severe housing problems the Secretary shall consider evidence of structural defects in the applicant's dwelling, lack of complete or adequate plumbing, the extent of overcrowding, the existence of hazards to health or safety, and the number of persons to be assisted. Applications should be periodically ranked and those that demonstrate the greatest need, processed first, except that any application for assistance pursuant to section 501(a)(4) of this Title shall be processed when it is received."

Appendix E

FmHA SECTION 502, 504, AND 515 RURAL HOUSING PROGRAMS,
A STATISTICAL HISTORY OF SUCCESS

The FmHA rural housing programs have been alternately praised as successful and condemned as having uncontrolled delinquency. The Housing Assistance Council has examined FmHA accounts and concluded that the agency has compiled a remarkable record (HAC doubts that any other agency, public or private, has achieved any better record), particularly so in light of its legislated mission. We have developed data in this report which authenticates our assumption.

In looking at the FmHA statistics it is most important to also know who they serve.

1. FmHA is the lender of last resort. Its borrowers are those unable to obtain private credit or finance housing with their own resources.

2. Until recently, the income limits for the Section 502 and 515 programs (Section 504 is for very low income applicants) were $11,200 (low income) and $15,600 (moderate income). The average adjusted income for households receiving home ownership loans was $9,601 in FY 1981.

3. FmHA borrowers are situated toward the low end of the economic ladder. They have little reserve capacity and are quickly affected by economic downturns. As a group they are probably among the first to be severed from employment when recessions occur.

4. The FmHA 502 program constructs modest housing. The average new house financed in 1981 contained 1051 sq. ft. of living area and cost $37,222.

I- **FmHA SECTION 502, 504 AND 515 HOUSING ACCOUNT ACTIVITY DURING FISCAL YEAR 1981**

Items	502 & 504[(a)]	515
1. Number of borrowers 9/30/80	1,394,655	7,633
2. Amount outstanding 9/30/81	$17,728,454,985	$ 3,000,557,864
FY 1981		
3. Number of loans made	93,040	1,466
4. Dollars loaned	2,601,476,640	864,765,230
5. Account transactions		
Total cash collections	$ 1,761,697,678	$ 166,094,182
(interest collected)	962,874,429	115,558,699
Judgements (prin + int.)	58,673	
Writeoffs (prin + int.)	1,976,214	10,913
Other[(b)] (prin + int)	189,156,862	182,287
6. Total Delinquency as of 9/30/81[(c)]		
Number of accounts delinquent	253,986	373
Percentage of accounts delinquent	25.6%[(d)]	5%
Dollars delinquent (overdue)	200,457,000	9,073,000
Percentage of dollars delinquent	1.04%	.2%
7. 502 Delinquency as of 9/30/81[(c)]		
Number of accounts delinquent	249,353	
Percentage of accounts delinquent	26%	
Dollars delinquent	199,809,000	
Percentage of dollars delinquent	1.04%	
8. 504 Delinquency as of 9/30/81		
Number of accounts delinquent	4,633	
Percentage of accounts delinquent	15.6%	
Dollars delinquent	$ 648,000	
Percentage of dollars delinquent	1%	
9. Number of Accounts 9/30/81	1,461,492	8,487
10. Amount outstanding 9/30/81	$19,631,386,688	$ 3,753,952,478

(a) FmHA report code 752 (account transactions) combines Section 502 and 504

(b) Other transactions include: transfer and assumptions, acquired property (inventory) and default payments to lenders (FmHA has a very small guaranteed 502 loan portfolio)

(c) FmHA reports delinquency in two reports - report codes 580 and 616. The latter yields a higher delinquency and is reflected in no. 6 above. The former shows time in delinquency status and does not include as delinquent borrowers with additional partial payment agreements on schedule or those under moratorium. 502 Data from the 580 reports is included later in this analysis.

(d) The 27% figure used by the agency only includes monthly payment accounts.

II Cumulative Write-Off Data (Since inception)

a. Percent of principal actually written off

502 and 504	- 0.14%
515	- 0.004%

b. Percent of interest actually written off

502 and 504	- 0.04%
515	- 0.018%

c. Ratio of cash repayments to write offs

Principal:	502	191.7 to 1
	515	1122.3 to 1
Interest:	502	452.7 to 1
	515	4849.9 to 1

The above data is a write off comparison to the total cumulative principal and interest advanced since inception.

III. Section 502 Delinquency by time - 9/30/81

Monthly Payment Borrowers (report code 581)

1.	Number of active borrowers -	902,692
2.	Number Delinquent	210,263
3.	Percent delinquent.	23.3%
4.	Number with one payment delinquent	79,103
5	Percent of active borrowers	8.8%
6	Number with two payments delinquent	40,396
7.	Percent of active borrowers	4.5%
8.	Number with three payments delinquent	22,496
9.	Percent of active borrowers	2.5%
10.	Number with delinquent more than three payments	67,817
11.	Percent of active borrowers	7.5%

Annual Payment Borrowers: (Report code 583)

1.	Number of active borrowers	68,575
2.	Number delinquent	6,727
3.	Percent delinquent	9.8%
4.	Percent of active borrowers up to 1 year delinquent	6.8%
5.	Percent of active borrowers up to 1 year delinquent	1.5%
6.	Percent of active borrowers up to 2-3 year delinquent	.6%
7.	Percent of active borrowers over 3 years delinquent	.9%

93-366 O—82——33

Mr. Lowry. Thank you very much for an excellent statement, Mr. Wilson.

Mr. Loza?

STATEMENT OF MOISES LOZA, VICE CHAIRMAN, NATIONAL RURAL HOUSING COALITION

Mr. Loza. Thank you. My name is Moises Loza. I am the vice chairman of the National Rural Housing Coalition. The coalition is a private nonprofit organization which advocates for decent housing for rural low-income Americans. On behalf of our membership I would like to thank you for this opportunity to appear before you.

I would also like to ask that the prepared statement be included in the record.

Mr. Lowry. Without objection, so ordered.

Mr. Loza. Having said that, I would also like to make a correction on the submitted statement. On page 3 on the last paragraph, the second sentence, states: "The self-help housing technical assistance program operated at $13.25 million level in fiscal 1981, is expected to produce about 300 units." That should read "3,000 units."

The other thing I would like to do is submit for the record the testimony from rural housing advocates from across the Nation that was presented last week at the local impact hearings held in conjunction with the National Rural Housing Conference. Last week we had our membership meeting and well over 200 people came in from across the country. They prepared a variety of testimonies giving different stories, given the economy and given the administration's policies, in different parts of the country.

And I think that the testimony that was presented can be very, very useful to this committee in its deliberations. So with your permission, I would like to submit that for the record as well.

Mr. Lowry. Without objection, so ordered.

Mr. Loza. We would like to express our concern about the administration's policies, particularly the administration's budget. One thing seems very clear, and that is that this administration seems intent on the destruction of all housing production programs for rural low- and moderate-income people.

It is for that reason that we applaud your efforts with H.R. 5731. We think you are taking on the fight that needs to be taken on, and we think that the bill provides in most areas an adequate level of authority for the rural housing programs under the jurisdiction of this committee.

As this committee has heard before, there is a continuing need in rural America for Federal intervention to assist in providing housing for low-income people. Over 40 percent of the Nation's worst housing is in rural areas and over 800 rural counties have no savings and loan institutions. Without the direct lending assistance of Farmers Home, there would be virtually no lending for housing and community facilities in those rural areas.

About 5 percent of the occupied units in urban areas are substandard, compared with about 8.5 percent in rural areas. The numbers go on and on, but the basic fact is distressingly simple: About 2.5 million housing units in rural America are substandard.

That means that between 8- and 10-million people live in inadequate housing. Many cannot escape without Federal help.

Further, the reduction in Farmers Home and HUD programs will be the death knell to rural homebuilders, to many rural towns, and most importantly to people living in that inadequate housing. This Nation cannot afford not to fund rural housing at an adequate level.

Generally, the National Rural Housing Coalition recommends that the fiscal year 1982 levels for Farmers Home housing programs be retained. Most of the Farmers Home programs have in fact been funded at about the same level since 1979. There are a number of programs that we think need some special attention, and what I would like to do is just highlight a couple of them for you here.

The coalition recommends an increase in funding for the self-help housing program. The self-help housing technical assistance grant program, otherwise known as section 523, operated at the $13.25 million in fiscal year 1981, is expected to produce about 3,000 units of housing for low- and moderate-income families.

There are about 80 organizations who received 2-year grants to conduct self-help housing programs. These grants will terminate in fiscal 1983. The 1982 appropriation of $3.95 million, plus any additional carryover funds, will be insufficient to continue the same units level of production or to meet demand for new programs and increased production.

More than 70 grantees, housing authorities and nonprofit organizations across the Nation are helping low- and moderate-income rural households save almost $9,200 per house over a contract-built home. In rural America, self-help housing is the low- and moderate-income person's only opportunity for homeownership. To continue the existing program and fund applications on hand, we recommend that an appropriation of $20 million be made available.

Your bill, H.R. 5731, has a $15 million level in it. While that is not what we are recommending, we are glad to see that you recognize the importance of the program and, unlike the administration, are not willing to zero it out.

We also recommend that the 1982 level for rental assistance funds be kept. In order to insure that the Farmers Home rental programs serve the most in need, we recommend the use of 5-year contracts as proposed on the following basis:

First, that $225 million be used for contract renewals and new contracts in existing projects. That represents about 21,000 units.

That $175 million be used specifically for contracts in newly constructed projects. That is about 16,000 units.

Of the 16,000 units, that 1,000 be designated for priority use in the farm labor housing program.

That the tenant contribution for rural rental housing be maintained at current levels, that is 25 percent of adjusted income.

We also recommend that $5 million be made available in the section 525 program.

For almost 20 years, the Department of Labor has funded, through CETA, 30 nonprofit organizations and public housing authorities operating in 20 States to plan, package and construct Farmers Home and HUD-financed housing for migrant and season-

al farmworkers. With the enactment of a new, reduced Federal manpower program, it is unlikely that the resources will be available to continue this program. We recommend that $5 million be authorized for section 525 and that report language be added setting aside 50 percent of these funds for farmworker housing technical assistance.

We have a variety of other recommendations which are in the written testimony that you can review at your own discretion.

Thank you very much.

[Mr. Loza submitted the following material for inclusion in the record: A prepared statement on behalf of the National Rural Housing Coalition; the testimony of rural housing advocates at a local impact hearing held in Washington, D.C., on March 11, 1982; and a letter, dated April 20, 1982 from Leslie Strauss, administrator of the National Rural Housing Coalition, with attached statements of the United Mobilehome Co-op and Citizens for Low-Cost Housing, the Lake Community Development, Inc., the Crow Tribal Housing Authority, the Hoh Indian Tribe, the Blackfeet Indian Housing Authority, the Turtle Mountain Band of Chipewa Indians, and the Northern Arapahoe Tribe of the Wind River Reservation. The material follows:]

Statement of Moises Loza
Vice Chairman, National Rural Housing Coalition
Before
The Housing and Community Development Subcommittee
of the
House Banking, Finance and Urban Affairs Committee
March 16, 1982

Mr. Chairman, my name is Moises Loza and I am the Vice Chairman of the National Rural Housing Coalition (NRHC) a private, nonprofit organization which advocates for decent housing for rural low-income Americans. On behalf of our membership I want to thank you for the opportunity to appear before you today.

In addition to my written statement I would like to submit for the record the testimony from rural housing advocates from across the nation that was presented last week at the local impact hearings held in conjuction with the National Rural Housing Conference.

The Administration's Fiscal '83 Budget Request

We are here today to express our deep concern about the Administration's FY'83 budget request for the rural housing and community facilities programs of Farmers Home Administration (FmHA) and the assisted housing programs of the Department of Housing and Urban Development (HUD). The Administration has set out on a clear course: destruction of all housing programs for low and moderate income people. If the FY'83 budget request is approved, we believe that the next step will be to dismantle FmHA and the remaining housing programs.

We applaud your position in the face of this onslaught. The bill that you introduced provides, in most areas, an adequate level of authority to the rural housing programs under the jurisdiction of this commitee.

Rural Housing Need

Mr. Chairman, as you know there is a continuing need in rural America for the federal government to assist in providing housing for low income people. Over 40% of the nation's worst housing is in rural areas, and over 800 rural counties have no savings and loan institutions. Without the direct lending assistance of FmHA there would be virtually no lending for housing or community facilities. About 5% of the occupied units in urban areas are substandard, while 8.5% of the occupied units in rural areas are substandard.

The numbers go on and on, but the basic fact is distressingly simple. Almost 2.5 million housing units in rural areas are substandard; that means that between 8 and 10 million people live in inadequate housing. They cannot escape without federal help. Further, the reduction in FmHA and HUD programs will be the death knell to rural home builders, to many rural towns and, most importantly, to people living in inadequate housing. This nation cannot afford not to fund rural housing at an adequate level.

NRHC FY 83 Recommendations

FmHA

Generally, NRHC recommends that FY '82 levels for FmHA housing programs be retained. Most FmHA housing programs have been funded at about the same levels since 1979. (See dollar levels in the attachment.) A significant reduction in units has already occurred, as represented in the figures below:

	FY 79	FY 82	FY 83 ADMIN	FY 83 NRHC RECOMMENDATION
Section 502	110,382	83,771	20,100	75,366
Section 515	38,650	30,178	5,740	27,434

Some FmHA programs will need special attention

- NRHC recommends an increase in funding for Self Help Housing.

The Self Help Housing Technical Assistance Grant Program (Section 523) operated at $13.25 million level in FY 81, is expected to produce about 300 units of housing for low and moderate income families. Almost 80 organizations received 2 year grants to conduct Self Help Housing programs. These grants will terminate during FY 83. The FY 82 appropriation of $3.95 million plus any additional carryover funds will be insufficient to continue the same units level of production or to meet demand for new programs and increased production.

More than 70 grantees, housing authorities and non profit organizations across the nation are helping low and moderate income rural households save almost $9,200 per house over a contractor built Section 502 house. In rural America, Self Help housing is the low and moderate income person's only opportunity for home ownership. To continue the existing program and fund applications on hand, NRHC recommends an appropriation of $20 million.

- NRHC recommends the FY 82 level for Rental Assistance funds.

In order to ensure that FmHA rental programs (Sec. 515 and Sec. 514/516) do serve the most in need, NRHC recommends the use of 5 year contracts, as proposed, and on the following basis:

- $225 million for contract renewals and new contracts in existing projects. (21,350 units)
- $175 million specifically for contracts in newly constructed projects. (16,610 units)
- of the 16,610 units, 1,000 be designated for priority use in the 514/516 Farm Labor Housing program.
- that FmHA be prohibited from requiring a dual market for new Farm Labor Housing projects that will utilize rental assistance.
- that the tenant contribution for rural rental housing be maintained at current levels, that is 25% of adjusted income.

- NRHC recommends $5 million for Section 525.

For almost 20 years, the Department of Labor has funded, through CETA, 30 non profit organizations and public housing authorities operating in 20 states, to plan, package and construct FmHA and HUD financed housing for migrant and seasonal farmworkers. With the enactment of a new, reduced federal manpower program, it is unlikely that the resources will be available to continue this program. NRHC recommends that $5 million be authorized for Section 525 and that report language be added, setting aside 50% of these funds for farmworker housing technical assistance.

- NRHC recommends that the owner's contribution on Section 502 FmHA's homeownership program be retained at 20% of adjusted annual income for PITI.

- NRHC recommends that FmHA staffing levels be increased to FY 81 levels.

FMHA staff was reduced by over 100 positions in FY'82 and is slated for further reductions in FY'83. The decrease when coupled with increased emphasis on delinquencies has resulted in less housing loan production. In many county offices the housing programs have been shut down for months while staff concentrate on delinquent borrowers. This situation could also be handled by funding Section 525, as recommended earlier, for supervisory assistance, and allow FmHA staff to return to providing housing for people in need.

Department of Housing and Urban Development

- NRHC recommends that, as a minimum, assisted housing levels be returned to FY 81 levels.

HUD programs are an important resource in providing decent affordable housing to rural low income people. Over 23% of HUD's housing assistance serves people in non-metro areas. Rural areas lack standard units and units suitable for rehabilitation. While rent subsidy programs for existing housing can meet some of the need in some rural areas, such programs must be supplemented with housing production programs.

- NRHC recommends adequate funding to preserve the present stock of HUD assisted housing, in viable condition, without ruinous rent increases.

- NRHC recommends producing the housing now in the pipeline, including the full FmHA set-a-side of Section 8 units, as rapidly as possible by overturning the proposed FY 1982 recessions.

- NRHC recommends support of production programs which benefit lower income people. This includes low rent public housing, Section 202 housing for elderly and handicapped, and other approaches which are compatible with this objective.

- NRHC recommends that at least 10,000 units of any HUD rental assistance program be set aside for use with the FmHA 515 rental construction financing program.

- NRHC recommends FY '82 levels for CDBG and urges targeting of these funds to low and moderate income people.

ATTACHMENT

FmHA RURAL HOUSING UNIT (a) ESTIMATES
FY 1979-1983

	1979	1980	1981	1982	BUDGET 1983	NRHC Recommendation 1983
502 RH Subsidized	64,264	62,739	61,544	55,800	20,100	61,133
502 RH Unsubsidized	29,136	18,918	7,990	11,700	0	14,233
502 RH Guranteed	374	590	172	0	0	0
504 Low Income Repair Loans	5,213	6,934	5,296	6,440	5,900	6,351
504 Low Income Repair Grants	6,842	8.589	7,687	5.651	3,515	6,479
514/516 Farm Labor Housing	2,575	1,490	890	1,340(b)	1,090(c)	1,303
515 Rural Rental Housing	38,650	33,100	29,500	29,400	5,740	27,434
TOTAL	147,054	132,360	113,079	109,331	36,345	116,933
RENTAL ASSISTANCE UNITS	22,623	20,000	17,655	14,280	17,560(d)	37,960(e)

(a) 502 loan and 504 loan and grant numbers are counted as units. 514/516 and 515 units are based on FmHA data and calculations from budget estimates and actual expenditures.

(b) Reflects deferral of $10,728 million dollars in FY 1982

(c) Reflects use of the 10,728 million deferred in FY 1982

(d) All for renewals and units in existing projects

(e) Includes 16,610 units for new projects (priority for FLH with 1000 units)

ATTACHMENT

FmHA RURAL HOUSING PROGRAMS
Dollar levels Fiscal Years 1979-1983
(Dollars in Millions)

	1979 Actual	1980 Actual	1981 Actual	1982 Estimated	1983 Budget	1983 NRHC Recommendation
502 RH Subsidized	2,007	2,220	2,328	2,300	900	2,300
502 RH Unsubsidized	859	604	256	430	0	400
502 RH Guaranteed	11.9	18.9	5.7	0	0	0
504 Low Income Repair Loans	14.7	21.9	17.87	24	24	24
504 Low income Repair Grants	19	24	22.7	15	12.5	24
514 Farm Labor Housing Loans	36.3	24.6	18.5	25.6	19	25
516 Farm Labor Housing Grants	32.4	22.3	10.5	22 (a)	23.228 (b)	25
515 Rural Rental Subsidized	822	825	842.5	940	200	940
515 Rural Rental Unsubsidized	48	56	22.3	0	0	0
523 Self-Help T.A. Grants	5.6	6.2	12.4	5.236	0	20
523 Self-Help Land Loans	1.7	.43	.485	2	0	2
524 Site Loans	3	.82	.454	5	2	5
525 T.S.A. Grants	2.5	1.5	1	0	0	5
Rental Assistance Contracts	423	393	403	398	185	400
TOTAL	$4,286.1	$4,218.7	$3,941.4	$4,166.8	$1,365.7	$4,170

(a) Reflects deferral of $10,728 million

(b) Reflects use of the 10,728 million deferred in FY 1982

TESTIMONY FROM RURAL HOUSING ADVOCATES
FROM ACROSS THE COUNTRY
PRESENTED AT LOCAL IMPACT HEARINGS
SPONSORED BY
NATIONAL RURAL HOUSING COALITION

TESTIMONY OF
L. EARNEST BERESH, EXECUTIVE DIRECTOR
RURAL HOUSING IMPROVEMENT, INC
WINCHENDON, MASSACHUSETTS
BEFORE THE
NATIONAL RURAL HOUSING COALITION
LOCAL IMPACT HEARING
March 11, 1982

Between 1970 and 1980, the nation's non-metropolitan areas gained population at a significantly greater rate than metropolitan areas. That trend was reflected in the Northeast where non-metropolitan population increased by 12.4% while metropolitan population actually decreased by 2%.

In Massachusetts, non-metropolitan population increased by over 36% while the increase in metropolitan population was less than 1%. For the six New England states, the corresponding figures were 14.7 increase in non-metropolitan population compared to a 1.74% increase in metropolitan population, according to the 1980 Census of Population.

Rural New England has substantial numbers of old houses and buildings. Unfortunately, most of that stock remains very costly to heat and very few of the older houses are acceptable to the Farmers Home Administration for rehabilitation. With rural populations growing and with much of the existing stock expensive to rehabilitate, programs that create relatively inexpensive new housing--whether single-family

or rental units--have become increasingly important factors in the health of rural communities. To avoid the personal pain and suffering that comes from living in substandard housing in New England in the winter as well as to avoid the damaging social consequences and ramifications of living in unsafe and unhealthy conditions on the community, the citizens of rural towns need access to a variety of programs--both private and public--that are capable of providing at least minimally adequate and safe housing for all citizens. For the lower income family, that opportunity usually does not occur unless assistance in some form is a part of the resolution.

Now, at a time when the need appears to be greatest, the critical place of assisted housing in providing housing opportunity for a major segment of the population is severely threatened by sharp reductions and/or elimination.

Following are comments on a few programs that in RHI's experience of thirteen years serving the housing needs of lower income families should be strengthened rather than weakened.

Mutual Self Help Housing

The mutual self help housing program, administered by the Farmers Home Administration, provides an opportunity for low and moderate income families to become homeowners through their own hard work. Groups of six to eight families work together to build each other's houses, providing enough labor to reduce the cost of their houses by $10-12,000. The reduced costs, coupled with the FmHA 502 loan program, make homeownership feasible for families who otherwise could not afford decent housing.

Because of the contribution of "sweat equity" by the homeowners, the self help program is less costly to the government. On average, the same amount of money that builds four new homes conventionally, will build five equivalent houses using the self-help method. In addition, the loan program contains a provision for the government to recapture the interest reduction subsidy if the home is sold at a profit. And, as the family's income increases, the interest subsidy is reduced until the full interest rate is reached.

The community benefits from the Self Help program as well. The construction activity generates business for local suppliers and provides work for skilled subcontractors who perform work that is beyond the capabilities of the homeowners. The addition of decent, new housing also adds to the local tax base.

In New England, there are currently four non-profit housing agencies administering the Mutual Self Help program. There is one each in New Hampshire and Connecticut and two in Massachusetts. The oldest active program in New England dates back to 1973; Rural Housing Improvement, Inc. has worked with over 300 families who have built their own homes since that date. The newest grantee, located on Cape Cod, began work in the fall of 1981. Three new pre-applications have been submitted by other agencies interested in starting a Self Help program in their area.

Families that are willing to devote evenings and weekends for up to a year to build their own houses should be congratulated for their initiative. The Self Help program which provides incentives to these families as well as technical assistance and supervision should be supported.

Unfortunately, the budget proposed for FY 1983 provides no funding whatsoever for continuation of the Mutual Self Help program. As a result, the agencies presently operating the program will be required to cease operations at the end of their current grants. Those applying for first time grants will never have an opportunity to initiate the program in their areas.

The greatest impact will be upon the families who may have no other alternative for obtaining a home. The new grantee on Cape Cod reports that they have a waiting list of 110 FmHA eligible families; they will be building only an additional 23 houses under their present grant. Another 30 families on the islands of Martha's Vineyard and Nantucket are also eligible and interested. At RHI, over 40 families are on the waiting list for its remaining 15 slots, even though RHI has not advertised the program for over two years.

Approximately 3000 families annually acquire their first houses through the mutual self-help method. These families would be unable to acquire homeownership if it were not for

the Self Help/Sect. 502 program. Given the substantial reductions in cost realized by using the method and recognizing that some of the interest subsidies are recovered on resale, we believe that the program should be the cornerstone of single-family housing production in rural areas. Rather than facing extinction, it should be an important option in all viable rural areas as one of the mechanisms whereby a community addresses the housing needs of those families whose incomes fall just short of affording conventional financing.

<u>Farmers Home Administration 502 Program</u>

The Farmers Home Administration 502 program provides mortgage loans to purchase existing, rehabilitated, or new single family houses.

The FmHA Sec. 502 low-income homeownership program currently provides the only possibility for low-income rural families to finance homeownership. The program accomplishes this primarily by allowing the interest rate to be set as low as 1%, depending upon the family's ability to commit resources to housing in the context of their total budget. This program is a major ingredient in the Mutual Self Help program, providing the necessary financing to the families who are willing to contribute their own labor to keep the cost down.

It is only in the past five years that FmHA 502 has been fully utilized in Southern New England. Prior to that time, Connecticut, Rhode Island, and Massachusetts were served by

93-366 O—82——34

the Montpelier, Vermont, state office. With few county offices and very limited staff, relatively few loans could be processed each year. In fact, in one year, Massachusetts returned millions of dollars in unspent loan authority while over 1000 families were on the waiting list at just one of the county offices.

Today, Massachusetts has 10 county offices compared to just 2 when RHI was created in 1969. Even so, these county offices are over-burdened by a demand which they cannot meet. In the Holden, Massachusetts office, over 700 persons are on the waiting list. The office stopped giving tentative appointment dates when they got to 1989. Estimated waiting list time in other county offices ranges from 2 to 4 years for the subsidized mortgage money.

The FY 1983 budget proposes a 60% reduction in Sec. 502 loan authority for the subsidized program and complete elimination of the moderate income and above moderate-income programs. Should this be enacted as proposed, families currently on the waiting list could expect to experience waits of over five years instead of two years. For those at the end of the list in the Holden Office, assistance might not come before the children have grown up and moved on. Whereas in 1981, FmHA made 957 Sec. 502 loans in Massachusetts, only about 300 could be expected in 1982.

Counseling and Technical Assistance

Over the past 12 years, RHI has provided assistance to over 1000 families successfully seeking housing assistance from FmHA. In addition to outreach efforts which have made many rural families aware of FmHA, RHI has helped families to assemble the actual loan application. In many cases, this loan packaging activity has been the critical difference for the families: obtaining approvals in a timely manner--or experiencing frustration, unnecessary delays, and technical denials.

RHI's counseling and technical assistance efforts were initially supported by the Office of Economic Opportunity, later renamed the Community Services Administration. That funding source ended in October, 1981. In addition, the U.S. Department of Housing and Urban Development supported a portion of RHI's Housing Counseling activity. That source, too, expired in 1981 as HUD withheld most of the money allocated for counseling in that year.

A third source of funding for this effort was the FmHA Sec. 502 Supervisory and Technical Assistance grants program. RHI received a two-year Sec. 525 grant in the program's first year, 1979. The FY81 budget authority was partially rescinded. No funds were budgeted for this program in FY82 and none were requested for FY83.

Under the Sec. 525 grant, RHI conducted an extensive outreach program designed to inform rural low income homeowners of the FmHA Sec. 504 program which provides 1% interest loans for essential repairs. Elderly homeowners may be eligible for grants. RHI then provided assistance to the homeowners to prepare the application, including specifications, cost estimates, and contractor bids.

During the two years, RHI submitted 143 application packages. To date, 86 loans or grants have closed and another 21 are pending. The loans and grants, which have averaged about $3000 each, have provided for septic systems which have saved homes from condemnation and for indoor plumbing for elderly homeowners.

In spite of the critical nature of some of the deficiencies in the homes of the applicants, there have been long waits for assistance because of the shortage of funds, particularly in the grant authority which is slated for a 17% cut in the FY83 budget, and, more recently because of FmHA staffing cuts.

For example, one family, Mr. and Mrs. W., aged 80 and 78, has a house with a leaking roof and a defective furnace which is both corroded and leaking oil. In New England, these are serious deficiences which pose a threat to the health and safety of the family. Their application was originally

submitted on September 9, 1981. On January 7, 1982, RHI requested funding under emergency procedures since the conditions continued to deteriorate. Finally, on March 5, funds became available.

Delays such as this are not uncommon. With additional cuts in the offing, the delays will only become longer.

More recently, the severe cuts in staffing of FmHA offices is leading to an incapacity of offices to respond to their normal remaining loan activity. RHI's local FmHA office has had to import help from other strained offices in order to meet its commitments to FmHA special programs, such as Self Help, that depend highly on timely processing to remain successful. At least in Massachusetts, FmHA personnel sincerely want FmHA-supported programs to work. That commitment is being severely threatened by premature staff cuts. We wonder whether there is a deliberate strategy to cripple the ability of FmHA to get even reduced authorities committed so as to argue fallaciosly that there is insufficient demand for the programs. A far better test is to assess the length of waiting lists of families trying to gain access to the programs.

Lastly, without the administrative resources to provide housing counseling services, RHI itself is severly limited in its ability to provide the essential assistance in the application process itself.

In addition to losing this capacity, RHI is also less able to provide default counseling services to those families in danger of losing their homes. As economic conditions worsen, the mortgage default caseload increases. Recently, RHI had the unpleasant task of informing FmHA County Supervisors that it could not assist homeowners who both wanted and needed counseling to prevent foreclosures. Without the staff recources, RHI was helpless.

The systematic destruction of rural delivery mechanisms, built our many years of patient nurturing and now subject to sudden extinction, shall leave an unhealthy void in the possible responses of rural communities to the needs of its citizens.

New Construction: HUD Multi-family

It has taken decades for some of the programs of the U.S. Department of Housing and Urban Development to reach rural New England. Implementation of the Section 8 Housing Assistance Payments marked the first time that rental assistance was made available to most rural New England families and elderly households.

In Vermont, three non-profit groups have been actively pursuing projects that would provide new multi-family units, marking the first rural non-profit/HUD ventures in recent times in that state. Today, the projects are threatened by HUD plans to rescind 1982 funds. Fifty units in six separate projects

scheduled to be financed by the Vermont State Housing Authority are threatened by HUD plans to recapture pre-1982 allocations while an additional 139 units in the pipeline are similarly threatened. Even the 45-day grace period in which Congress has to respond to the recission message will jeopardize control over the land and will exceed the deadline of construction cost guarantees upon which feasibility was determined--thus raising the real probability that the terms of the projects will unravel.

For Vermont, this represents a major setback in the effort to develop HUD assisted housing to meet a growing need. Years of effort can be undone by a single act of rescission.

In rural areas, HUD funds have not been readily available. It has taken many communities years to develop the capacity to deliver multi-family housing. The effort to adapt HUD programs to local needs in rural communities has been arduous at times. Now, as that effort begins to show success, the rug is being pulled out from under.

FmHA Sec. 515

The Sec. 515 Rural Rental Housing program of the Farmers Home Administration provides direct loans to eligible borrowers for the construction of multi-family housing for low and moderate-income families and for senior citizens and handi-

capped persons. There are many eligible entities, including for-profit developers; public or private non-profit corporations; public bodies; and consumer cooperatives.

For many rural communities, FmHA's Sec. 515 program is the only feasible mechanism for providing new rental units. Many of these communities have little or no decent, safe, and sanitary rental units available at an affordable price. Vacancy rates of less than 5%-2% in sections of Vermont are commonplace.

New rental housing at conventional interest rates today would demand a rent affordable by only the wealthiest families in many rural communities. At the same time, high interest rates and soaring housing costs have presented many moderate income families from purchasing homes. Low income families and elderly people for whom home ownership was never an option face an even more dire housing situation. Low vacancy rates and large waiting lists attest to the fact that additional rental units need to be made available in many communities.

While the FY82 budget contains $940 million in loan authority, the virtual elimination of both FmHA Rural Rental Assistance and HUD Section 8 as deep subsidy mechanisms has rendered most proposals unfeasible. In Massachusetts, all but two FmHA Sec. 515 proposals were rejected in the current round of approvals because the developers could not demonstrate

that those who needed the housing could afford the units at the rents generated by using only the interest reduction subsidy. Those projects that did survive the pre-application round did so only by demonstrating sufficient moderate income families to fill the units. Without a deeper subsidy mechanism, low income families will not be able to rent these new units.

For FY83, the situation gets worse. The proposed budget calls for a 79% reduction in funds, leaving only a token program. For Massachusetts, the pro-rated share of the national figure would be reduced from $8.5 million to just over $1.7 million, enough to fund only 1 large 50-unit project or two small projects.

In one Central Massachusetts town of 11,000, RHI recently completed construction of a 30-unit Sec. 515 development for families. It was the first development of new rental units for families with children in that community since 1951. During the development process, one landlord in that town closed and demolished 34 units of substandard housing that had been providing less than adequate but inexpensive housing to families who could not afford decent housing. Without the Sec. 515 program, it would not have been possible to build rental units for those families who needed rental housing. Only with an allocation of HUD Section 8 units was this project feasible.

Conclusions

Based upon an examination of the proposed FY 1983 budget, we come to a series of unpalatable conclusions should the budget be adopted:

- Rural areas, which only recently developed a capacity to develop improved housing for low and moderate income families, will be deprived of the essential program resources that would make new housing possible.

- The FmHA Self-Help program, which is built upon the hard labor of those who would build their own homes, will be dismantled.

- The FmHA 502 program will cease to be an important factor in the financing of homeownership for low and moderate income families in rural areas which traditionally lack adequate financial resources. As a result, many more families will never be able to afford a decent home.

- Counseling efforts designed to help families prevent default and foreclosure will cease due to a lack of funding for those agencies that have developed the capacity to provide service.

- Assistance to low income homeowners whose homes contain serious threats to health and safety will be reduced.

- HUD multi-family efforts in rural areas will come to a halt; projects already well along may be dismantled after years of effort to develop them.

- FmHA Sec. 515 will no longer be a viable mechanism for providing multi-family housing in rural areas.

The combination of reductions in loan authority and premature severe reductions in FmHA staffing will make a shambles of the rural housing programs.

It simply is inherent that low-income families must have help if they are to occupy decent shelter. The alternative to assistance programs is a growing number of persons who live out of their cars, in poorly heated shacks, or in severely overcrowded conditions. Destruction of effective housing programs shall surely lead to the necessity of a new and very costly "War on Poverty" in the not-too-distant future as the conscience of America responds to ever-increasing numbers of families living in inadequate and substandard housing. That crisis of corrective response will be lesser in scope and depth to the extent to which we retain today those programs that reduce the size of existing deficiencies.

03/11/82

Kenneth Bruzelius
Midwest Assistance Program

My name is Kenneth Bruzelius. I appreciate the opportunity to inform you of what is happening to many rural communities in the Midwest.

The Midwest Assistance Program is a non-profit organization serving the interests of rural communities in five midwestern states; including Minnesota, Iowa, Missouri, North Dakota and Kansas. We are also affiliated with agencies serving Montana and Nebraska.

Our interests lie in helping rural areas get adequate and affordable potable water supplies and sanitary wastewater disposal facilities. These rural communities and unincorporated areas are suffering economically from depressed farm prices and high interest rates. They have also, traditionally, been less successful in competing for scarce federal resources to meet the demands placed on them by health and environmental agencies.

They are also struggling to provide the basic essentials of life -- water and waste disposal.

Anybody can look at the comparisons of the 1982 current budget versus past budgets and the 1983 proposed budget and know that significantly less can be accomplished under the reduced budget amounts. But this does not adequately tell the story in terms of the impact of such cuts on the real life situation in rural communities in the midwest.

PLAINS, MONTANA

Plains, Montana is a community of about 1200 people located in western Montana on the Clark Fork River, which divides the Cabinet and BitterRoot Mountains. As early as 1977, they were made aware by the Sanders County Department of Public Health that a number of shallow wells in their community were contaminated by high levels of nitrates and chlorides from sewage. Water from these wells was not fit for human consumption.

This concerned community, with the assistance of the Northwest Montana Human Resources District in Kalispell, began seeking solutions to their problem. The community qualified for and received a commitment from the Environmental Protection Agency for a grant to help build an adequate wastewater facility. As with most small towns, the 25% local share was to be financed with a Farmers Home Administration loan at an interest rate of 5%.

Between the time the plan was developed and the bid letting actually took place, several year's time elapsed, and construction costs increased.

The lowest acceptable bidder was almost $400,000 over the amount allocated by EPA and FmHA. So, the community went back to these agencies to find out what could be done. EPA was able to authorize an increase in their grant funds, but the FmHA has not authorized an increase of their loan at the 5% interest rate. They will offer a loan for the increase at the market rate of between 11% and 12%.

Unfortunately, with the increase in interest rates, this makes the user rate increase up to 40% or more, which is unaffordably high.

As many of you know, the lumber industry is in its worst condition in many years. Plains, Montana, has over 200 elderly and low-income families before adding in the large number of lumber mill workers and loggers who are now unemployed. Their January unemployment rate was at 12.9%. Over 75 new unemployment claims were filed during the first two weeks of February due to closing and layoffs in the lumber industry. Unemployment is expected to rise to 15% of the labor force when the February report is published.

If Plains cannot resolve this problem quickly, their construction bids will be out of date and they will have to readvertise. If this happens, it is possible that the new bids will be even higher and the problem will be compounded!

LITTLE RIVER RURAL WATER ASSOCIATION, IOWA

The Little River Watershed area is a source area within the Southern Iowa Rural Water Association. It is comprised of the majority of Decatur County (except that served by the Rathbun system), the extreme southern edge of Clark County and the extreme western edge of Ringhold County. The area, excluding the towns of Leon and Lamoni, has approximately 6100 residents and 3496 households.

Approximately 800 of these households are economically disadvantaged. The area residents are supporting efforts to obtain a rural water system because of inadequate and poor quality water.

The shortage of potable water has become the most critical in the small towns, where improper wastewater disposal, among other factors, has caused pollution of the water supplies. In rural areas, agricultural runoff, improper abandonment of wells and feedlot runoff have caused ground water contamination which has affected what was already a poor quality of water.

A study conducted by the Iowa State University determined the only feasible source of water to be surface impoundment.

The Midwest Assistance Program has assisted the Little River Project with securing preliminary engineering and much coordination has taken place between the agencies involved. Throughout the development of the project in planned phases, there has been concern that the final user costs might become excessive, and therefore, unfeasible.

The watershed impoundment portion of the project is moving ahead.

However, with the recent budget reductions and the increased interest rates on FmHA loans, there are new concerns that the project may never be completed at user rates that people can afford.

All planning computations were made on a 5% FmHA interest rate. If the interest rate is 11% or 12%, the project is no longer feasible.

With the budget cutbacks, the timeline for construction is also extended, and the potential for higher than anticipated construction costs becomes an additional concern.

The rural communities and farm residences within the Little River Water Project are facing severe water problems, but the outlook for solving these problems has been significantly jeopardized by the reduced funding for rural development programs such as the Farmers Home Administration's Water and Waste Loan and Grant Program. Even though other Iowa communities have benefited from the programs in the past, the people within the Little River Water Project may find that they are too late unless there is a new federal commitment to the problems of rural areas.

ARVILLA, NORTH DAKOTA

The community of Arvilla, North Dakota, has about 100 residents, and it is estimated that 60% have incomes of less than $8,000. Most of these are elderly and on fixed incomes. Their septic systems are failing and this is polluting the high ground water.

The community has completed a Step 1 EPA funded plan and hopes to construct a small sewer system which will alleviate their problem.

However, the acting Mayor has indicated that if the community has to finance the local share of the project with a 11% or 12% interest loan, the elderly and low-income residents won't be able to afford the sewer bills.

This community may find itself rejecting EPA funds for the construction of their sewer system because FmHA interest rates are beyond the community's ability to pay.

ARGYLE, IOWA

The community of Argyle, Iowa, is an unincorporated area in Southeast Iowa. Of the 160 residents, the local community action agency indicates that 30% are on Social Security.

There is currently no community water or wastewater system. With the assistance of the Midwest Assistance Program and the Revolving Loan Fund administered by the Housing Assistance Council, the community has secured funds to incorporate as a municipality, secure preliminary engineering for a communal water system, and begin planning studies for a small alternative sewer system using existing septic tanks and a lagoon.

The Farmers Home Administration concurs with the community's efforts to develop water and wastewater systems. The Lee County Department of Public Health submitted a report to the Argyle Sanitary District which indicates that, "The current use of individual sewage disposal and individual wells poses a threat to the health of the citizens of this community".

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The residents of Argyle started their project knowing that to make it a reality they would need financial assistance from an outside source. The FmHA had provided such assistance to other rural communities in the past.

However, with the increased interest rates on the FmHA Water and Waste Disposal Loan Program and the reduced budget for the Grant Program, it will make it impossible for Argyle to finance the essential water and sewer services that this community so urgently needs.

Larry Fuger, the project coordinator in Argyle, is currently trying to find appropriate documentation of Argyle's median family income to determine if, by some "magic", the community might prove a poverty-level median family income so they can qualify for a 5% FmHA loan.

EOLIA, MISSOURI

Eolia, Missouri, is a small community of about 400 people. They have a very low median family income of under $8,000 based on recent estimates. Eolia has no wastewater treatment facilities and raw sewage can be found running into open fields and ditches. The town has been on the Missouri state project priority list for EPA funds, but not high enough to be funded.

Last year it was discovered that Eolia's ranking could be elevated to the fundable range if they would apply for a discharge permit from the state.

With the assistance of the Midwest Assistance Program and a loan from the Revolving Loan Fund, which is administered by the Housing Assistance Council, the community secured engineering services which would help them determine the most cost-effective alternative wastewater system.

They then applied for the discharge permit, knowing that upon receipt of it, they would be in immediate violation of the permit because the houses were discharging into a common pipe that drained the raw sewage to the open field.

After applying for the permit, but before receiving notification of their Step 1 grant, the budget recissions and reductions took place. Eolia is now in the position of desperately needing a sanitary sewer system, and does not know when or if they will be assisted with the EPA or FmHA programs. They cannot afford to undertake the task alone. At any time they could be cited for being in violation because of the raw sewage. The budget recisions, deferrals and cutbacks have had a serious affect on Eolia's ability to solve its problem.

APPLETON, MINNESOTA

Appleton is a community of slightly over 1,000 residents located on the Pomme de terie River in western Minnesota. They began seeking a solution to their pollution problem about 1970. Th.y have been required to start their planning process over twice since that time because of changes in the federal pollution control and water quality laws.

Finally, in 1980 they were informed that their Step 1 plan was approved, both by the Pollution Control Agency of the State of Minnesota and by the Region V Environmental Protection Agency in Chicago.

After ten years of seeking a solution to the problem of discharging raw sewage from their inadequate facility, they were now "sure" that they were making real progress. They were authorized to submit a combined Step 2, Step 3 grant request based on their approved Step 1 and on their ranking on the State's project priority list.

Then, on May 13, 1981, the Minnesota Pollution Control Agency informed the Mayor of Appleton of the federal budget reductions in a letter which said in part, and I quote, "These reductions do not allow us to fund every project on the previously approved FY 1981 Municipal Project List (MPL) nor every project on a previous year's MPL.... We regret to inform you that your project is not on the revised FY 1981 MPL. If we have your application on file, we are returning it.... Please note that if a project is to be considered for funding in a future year, it must be re-listed on that year's MPL".

A neighboring community of Watson, Minnesota, would tell you a similar story.

Every time there has been a change of administration or a reauthorization of the program by Congress, these rural communities

have been "put through the wringer" for no apparent reason. Now they are being put through the wringer again. They are fed up with bureaucratic red tape on the one hand, and the pressure of the regulatory agencies on the other hand. The latest budget proposals give little hope that the Appleton's across the country will have the financial assistance of their neighbor's tax dollar — even though during the past decade, many of their neighbors have had the benefit of <u>their</u> tax dollars. These people find no justice in this at all!!!

In Iowa, Minnesota, Missouri, and North Dakota, the Farmers Home Administration's answer to the question, "Which communities qualify for a 5% interest loan?", is, "NONE"!!

What would be a final insult would be for them to be told, "Under the new program, you must start to <u>plan</u> all over again".

LOCAL IMPACT HEARING

March 11, 1982

Washington, D.C.

Submitted by: Olivia Clark, Oregon Rural Housing Coalition
Salem, Oregon

I appreciate the opportunity to present some comments regarding the impact of federal budget cuts upon the Pacific Northwest and Oregon's rural housing situation.

The impact of federal budget cuts in housing programs, implicit changes in housing policy and the severe housing crisis experienced nationwide is taking a heavy toll on the Pacific Northwest and the state of Oregon in particular. It isn't necessary to project what the future impact of the housing cuts will be because we are suffering from the impact now.

Oregon has been bludgeoned by downturns in the wood products and homebuilding industry. With the second highest unemployment rate in the nation, it is estimated that 200 to 300 individuals run out of unemployment insurance benefits each week. The unemployment rate approaches 25 to 40% in our rural areas where almost half of all Oregonians live. (Over 90% of our incorporated cities are under 10,000 and over 70% are under 500 in population.)

Those who could once afford to purchase a home are now having increased difficulty keeping it. According to data collected by a national mortgage bankers association, Oregon has the second highest mortgage delinquency rate among pacific region states. Oregon's share of all loans started in foreclosure is above the nationwide average. However, the Housing Counseling program once offered by H.U.D. is being dismantled.

Those who could not afford to purchase a home are now unable to afford the rent. The incidence of overcrowding is on the rise as families double-up creating difficult and sometimes violent domestic problems. Waiting lists for Section 8 rental assistance and public housing contain the names of hundreds upon hundreds of families who are now living in inadequate housing paying rents they cannot afford. The average waiting period for these people can last from one to two and a half years at our public housing authorities.

State officials are pessimisstic about the present and future impact of the federal housing budget cuts. The Oregon State Housing Division has placed a moratorium on its housing finance and development programs due to uncertainties with federal housing dollars. This represents the end to state provided affordable housing until things change at the federal level.

A dark cloud has been cast over our state's network of rural public housing authorities now threatened with substantial cutbacks in operating subsidies, rehabilitation and modernization monies. These cuts and the demise of Section 8 rental assistance may foreshadow the eventual closure of some of these projects and signal the displacement of thousands of very-low-income Oregonians. It may mean that the federal government will become the country's largest slum landlord. Public Housing Authority tenants are scheduled to pay more of their fixed and limited incomes for shelter while thousands on waiting lists must extend their long wait indefinitely.

As of 1978, there were only 30,000 units of assisted housing in Oregon, or 3% of our state's total households. In 1980 the Oregon State Housing Division estimated that over 130,000 Oregon households, or 11% of the total, would be eligible for some form of housing assistance if

it were available. It is estimated that in our rural eastern counties there is only one subsidized housing unit for every 10 to 15 households that meet the income qualifications. The same is true for our rural southern and coastal counties. Unfortunately it is in these rural areas where some of the worse living situations can be found, thousands of low-income households living in unsafe, unsanitary, overcrowded housing often without indoor plumbing or safe drinking water or heat.

In many small communities it is the Farmer's Home Administration programs that are of critical concern. Cities like Dayton,Oregon, where virtually all of the existing housing is substandard, low-income residents lucky enough to be certified for Section 8 by the County Housing Authority cannot find safe and sanitary housing units that meet HUD standards. In Seneca, Oregon, the need for low-income housing was so great that residents moved into abandonned railroad boxcars and have tried to create a home for themselves. It is in towns like these and dozens of others that new low-income rental housing, self-help housing and home repair loans and grants are sorely needed.

While the need for new rural rental housing steadily increases the FmHA 515 affordable rural rental housing and rental assistance budget allocation for Oregon has been cut from $9.8 million in 1982 (a pprox. 310 units) to a low in 1983 of $2.1 million (approx. 60 units). In the rural towns where residents live with constant threats to their health and safety there will be no other source of safe and affordable rental housing. There is no available credit other than what can be offered by the Farmer's Home Administration.

Low-income homeownership opportunities will also fade if FmHA Self-Help and 502 loans disappear. While funds for the FmHA 502 Homeownership Program will be available to only 330 households

the Self-Help Technical Assistance Program is scheduled for complete elimination. The two self-help projects in operation in Oregon have assisted over 60 families in building homes for each other. Two other rural community based organizations are planning to submit applications in 1982 on behalf of dozens of low-income families. Farmworker organizations are also examining the program as one way to build needed housing for their community and avoid the stigma of "low-income" housing often experienced in rural small towns. In Clatskanie, Oregon, a group of low-income families asked a local community action agency to assist them trying to bring "family" housing to their community that local residents would accept. Clatskanie has very little housing large enough for a family with children and that is commensurate with their low-incomes. Many landlords refuse to rent to families with children despite what some families are willing to place as a deposit. If the self-help program is eliminated these families and many others will be denied the opportunity to help each other and help themselves secure adequate and affordable housing; their living environment will remain dismal.

Farmworkers in Oregon have been pinpointed as a special rural population with one of the greatest housing needs. The need is increasing as 220 of the 300 farmlabor camps in Oregon were reported by the State Department of Labor as having closed in 1981. DOL inspectors found that few of the camps remaining open were in compliance with health and safety inspection standards. The problems cited include poor water quality, hazardous electrical service, unsanitary toilet facilities, inadequate hot water, sewage backflow in drain fields adjacent to housing facilities, garbage overflow and overcrowding. However, the federal budget allocation for farm labor housing loans in Oregon is dropping from $200,00 in 1982 to $150,000 in 1983, a drop in the bucket when

compared to the need.

The Oregon State Housing Division estimates that 82,300 below-median income homeowners need rehabilitation assistance in our state. Well over half of the state's total of substandard housing is found in rural areas which have a markedly higher percentage of older housing stock. Many towns like those mentionned earlier have little housing that does not suffer from a major health or safety hazard. The Community Services Administration which once administered a low-income rural home repair grant program may now become extinct. This means that very low-income homeowners (often the elderly) who live with serious threats to their daily safety and who have little or no payback ability on a loan, will continue to go unserved. The FmHA 504 very-low-income repair loan program in Oregon has been cut from $319,430 in 1981 to $205,000 in 1983. The low-moderate home repair loan program has been reduced from $52,314,170 in 1981 to $13,500,000 in 1983. Not only will more low-income homeowners continue to live in unsafe substandard housing, but a valuable national resource, our existing housing stock, will be lost to the next generation.

Some rural towns like Seneca and Dayton, which suffer from a lack of adequate and affordable housing stock are unable to construct new housing because of water or wastewater problems. Construction moratoriums have been placed on 30 Oregon communities due to limited or inadequate sewerage facilities. In rural Oregon, most small communities do not have the total financial capacity to correct these safety and health hazards without assistance from the FmHA. These problems severely impact the health of rural residents, prevent construction of new housing, lock up buildable lands, require larger building sites, impact residential user rates for services, or place untenable burdens on low-valuation residential property.

At stake are jobs, housing, the environment, land use planning commitments and safety and health of our citizens.

Oregon has the fourth highest incidence of waterborne disease in the country. Most outbreaks occur in rural areas where there are a large number of small unsafe and inadequate water systems. It is not uncommon to find rural households who port their water by hand over long distance or boil all their water before drinking, something the rest of us only do when camping or in an emergency situation. Over 1/3 of our rural residents drink from private wells or springs, often uncovered and polluted. In 1980 the Indian Health Service reported that 220 cases of nonspecific gastroenteritis occurred as a leading disease among the Siletz Indians who live in the central and western coastal rural areas. Health officials state that the problem can be directly attributed to unsafe domestic water supplies.

There are 180 communities in Oregon that are on the annually reviewed priority list of sewer construction needs kept by our Department of Environmental Quality. Seventy-two of these communities are under 3500 in population. Unfortunately, the per capita costs of projects to correct sewer needs in our small rural communities can be ten times greater than per capita costs in larger urban areas. These are most often people who can least afford the additional cost and are usually areas that have no other funding option other than FmHA. It is most likely that these communities will remain on the DEQ priority list with no positive actions taken due to cuts in the federal budget. The FmHA Water and Waste Disposal Loan dollars available for Oregon communities has dropped from $9,158,000 in 1981 to $3,540,000 in 1983. Grants for low-income rural communities dropped from $3,198,400 in 1981 to $1,418,000 in 1983. This means that thousands of rural Oregonians will continue to drink water contaminated by

sewage and that multiple cases of nonspecific gastroenteritis will continue to occur among the very young all the way to the very old.

The impact of federal budget cuts in rural housing and public facility development is being felt now and will only serve to intensify a deteriorating living environment for many low-income people in the future. In human terms this means that many rural people will continue to suffer physcially and emotionally. At a recent hearing on rural housing conditions and needs in [illegible], [illegible] stories of many rural residents were revealed and I have brought several photographs of some of these people.

Without federal assistance, "Sue Doe" of Grande Ronde, Oregon, will continue to live in a rat-infested substandard home with a sewage overflow problem in her backyard. She has nine children and suffers from severe arthritis [illegible] her ability to close her left hand. She has no teeth, she recently had cataract surgery and has a third grade education. Despite this her $260 a month income is scheduled to end this month as the welfare department feels Sue can go back to work.

Without some assistance the "M" family in Dundee, Oregon, will continue to live in substandard housing and continue to get their water from a stagnant spring downstream of their outhouse and a cultivated filbert orchard. Some people speculate that their two sons' mental retardation may have resulted from their polluted water supply.

The Reschs also of Grande Ronde, Oregon, lived without running water, indoor plumbing, kitchen facilities or adequate heat for years. The 86 year old World War I veteran and his wife were lucky to receive federal help through the FmHA and

Community Services Administration. But hundreds upon hundreds of others in even worse situations may not receive any assistance at all. Cuts in critical rural housing programs mean these people will continue to live in unsafe and unsanitary housing.

However, these people may be the lucky ones. They own a home of their own. Other photographs I have brought with me depict some of the rental housing available in rural areas. With a tight rural rental market these people may pay outrageous monthly rent for little more than a shack. Without FmHA rental housing and Section 8 rent subsidies these people will continue to be victimized.

The radical shift of federal dollars from programs designed to protect the health and safety of all Americans and to provide a decent living environment will have a longterm effect upon our country's human capital. The price paid in human dignity and pride, mental and physical health will prove that these budget cuts were not cost effective. If all of our housing program dollars are redirected into our national defense budget, we will have little left to defend.

TESTIMONY OF MS. PAT MEJIA BEFORE
CONGRESSMAN STAN LUNDINE ON LOCAL IMPACT
OF FEDERAL HOUSING PROGRAMS. RAYBURN - 2105
MARCH 11, 1982.

My name is Pat Mejia and I am a housing specialist with PPEP Housing Development Corporation in Tucson, Arizona. PHDC is a non profit housing corporation incorporated by the state of Arizona

I am here today is seek the support of the subcommittee and in the continuation of several federal housing programs. The first one is the FmHA, Section 523, which provides funds to non profit organizations like mine to enable us to give technical assistance to citizens who desire to improve their housing conditions This 523 along with 502, the direct loan program of FmHA, has enab ed more than 25 families to have new or improved homes. Along with FmHA, I want to ask that the subcommitte support the continuation of HUD, Section 235. This subsidy assistance program for home ownership provides families with a 50% direct subsidy in the costs of their home mortgage. While the Department of Labor has no direct financial support program for housing of this type, I am concerned that Labor keep their administrative monies program for farm workers housing programs.

In few moments I have today let me describe some of the impact these programs have had through the leadership of my organization, PHDC. We assisted 13 low-in ome families in applying for 30 year loans rom the Farmers Home Adminis ration. This money - $28,00 to $32,00 was spent on each house. The money purchased the materia s for the 13houses in what will be called Valle Del Sol. Our staff provided experts o supervise the construction while the families helped each other out, building after work and one weekends. These 13 families will pay $90 to $130 a month on their mortgages. These 13 homes were dedicated and completed in December of last year. This self help program is important not only because it enables low income and farm worker families to have decent housing but the process also gives stimulus to local trades workers. We use professionals for all the concrete, masonry and electrical work. PHDC also provides professional supervisors to assist the families in the carpentry and other construction.

Along with the construction of these homes, PHDC has been a leader in the develop of solar heating units for these and other house. We have conducted workshops and have been directly involved in the construction of solar units. These units cost about $150 and for an additional $20 we are able to construct a solar oven.

I need not take much time to tell you what the impact of cuts or elimination of these types housing programs will be on low income and farm workers. The whole pyschological aspect of self-sufficiency--a trait all Americans consider sacred will be harmed. The economic enhancement and stability that comes with owning and paying for your own home is critical in the lives of farm workers. With these homes come water and sewer development and the sanitary living conditions which in turn reduce the impact of disease and unhealthy living conditions. With the current high interest rate which is affecting all of us, these programs are not a heavy burden on the national budget and they do give hope and encouragement to families whose needs for decent housing and feelings of participation in the community are important and often harder to attain.

One other local and significant impact of these programs. In 1937, a small band of Yaqui Indian farmworkers were displaced from their homes in Marana, ARizona. They relocated at a nearby site which was plagued with rattlesnakes and seering summer heat. There they built their present homes out of cactus ribs, adobe and sod. Through the years they have toiled as irrigators, weed cutters and harvesters of cotton. Through the efforts of PHDC we have been able to give them help in getting better homes. We assisted them in first constructing community showers and toilets. They were not eligible for the FmHA loans because they did not own their land. Local ranchers would not allow the Yaquis to collect mesquite for their wood burning stoves. With a grant from the Wilson Foundation and with PHDC technical assistance a conversion to natural gas was made. The modernization of the Yaqui village continues. I believe the $195,000 of technical assistance money PHDC as secured within the past year has more than returned an profit to our government. 25 families in new homes, paying a monthly mortgage, and sharing with others in their community the pride of ownership and accomplishment. The improvement of the Yaquis in their living environment also is a sign of the positive impact of these housing support programs. I want to close with a plea for this Congress to continue these programs and I speak on this plea not only as a housing specialist for PHDC but also as President of the ARizona Rural Housing Coalition. Thank you.

Mark Turner
Arizona Daily Star

\s the eldest child, 23-year-old Edgar Granillo always felt esponsibility to stay with his family. But this Christmas, is thinking about someday taking off for college knowing family will be secure in their own home.

Until this week, Edgar lived in company-owned housing Sahuarita with his family: his father, 56-year-old Diego, works with Edgar for the pecan-producing Farmers restment Co. his mother, 52-year-old Maria Jesus; and n brothers and a sister.

Tomorrow, however, Edgar and his family will celebrate ristmas elsewhere. The Granillos and 12 other families in Sahuarita area have given each other the most expen-e gifts they probably will ever receive — new homes.

None of the breadwinners suddenly struck it rich. All are rm workers. The homes were made possible by the hous-; development program of Portable Practice Educational eparation Inc., which helps groups of rural, low-income sidents improve their housing.

Because the progran works on a self-help concept, mem-rs of the families supplied most of the labor that built the mes. And they are paying for them with low-interest ns with modest mortage payments, about $139 a month Edgar's family.

That is typical for the two-, three- and four-bedroom mes, said Pat Mejia, the self-help coordinator for Project PEP. Mejia submitted the proposal for the program to the rmers Home Administration, which finances the houses, 1979. Since then, five homes also have been built in kewood, seven others are to begin soon and 33 lots are der development for future construction.

Ground was broken April 5 for Edgar's subdivision, Valle l Sol, a 17-acre plot off Duval Mine Road near Interstate south of Sahuarita. Since then, the days of the farm orkers have been full. Each weekday, after completing rk shifts at the pecan farm, they traveled to Valle del Sol work three hours each, Edgar said. They spent their eekends there, too.

Professionals did all concrete, masonry and electrical ork. But Project PPEP supplied professional construction pervisors to direct Edgar and the others, who did the rpentry and other construction.

"We did all the roofs, the arches," he said. "All together we would go from one house to the other. No one could move until we finished all 13.

"We thought that's a lot of work. I didn't think we'd ever be done. It was hard for somebody that doesn't know about construction. But with their (Project PPEP) help and the families, we built all this."

Edgar also credits the pecan farm with allowing flexibility in the work schedules to accommodate the work project.

The home is a milestone in the lives of the members of Edgar's family, who came to Arizona from Mexico in 1974, he said. The possibility of buying a home outright was virtually nil. Traditional financial institutions probably wouldn't lend farm workers the amounts of money needed, he said. And language also can be a barrier because most of the families speak only Spanish.

"It's hard. Houses are expensive. And for somebody who doesn't make enough money and doesn't speak English."

The Project PPEP program changed that, providing new horizons for families like Edgar's. While his family lived in Sahuarita, they lived in a company house supplied to them by the pecan farm. They paid no rent, but a change in jobs would have meant losing the house, he said. Having two members of the family work for the company meant added security for housing. But it also prevented Edgar from working toward another career, he said.

"If I'm working, I'll never go up," he said. "Now, I feel better. If go to school, I know they (his parents) live in their own home, that they're happy." Someday in the future, he plans to go to college. He wants to become a veterinarian, he said.

Monday, officials from Project PPEP, the pecan farm and other organizations associated with the program and elected officials and their representatives celebrated by cutting a ribbon to open the subdivision.

"My mother says she feels happy. After living eight years in the company housing, she knows she has a house now.

"The other side is they are going to have the (mortgage) payment. But it is worth that. Because its their house. She knows if she plants something, it's going to be for her home."

For Edgar's father, Diego, the one acre that goes with the home is a place for him to garden and build a greenhouse, now that he has carpentry experience. He also relishes the end of the long hours of work, including turns at staying up all night to guard the construction site.

And for Edgar: "I want to go to school, a career. That's what I'm thinking — to be something."

Running look — Irene Mariscal, 7, above left, and Rosa Martinez, 8, took a running look at their new home Monday. A program in Sahuarita has provided the first homes for many of 13 families participating, including the Granillos, at left. The are, from left, Maria Jesus, Elizabeth, Diego, Diego Jr., Edgar and Martin.

Neighbors South

Photos by Joe Vitti, The Arizona Daily Sta[r]

Farm workers find a house really can feel like a home

TESTIMONY
SUBMITTED BY
VIRGINIA TOEWS, EXECUTIVE DIRECTOR
NORTHERN CHEYENNE HOUSING AUTHORITY
BEFORE CONGRESSIONAL REPRESENATIVES
ON THE IMPACT OF BUDGET CUTS
ON INDIAN HOUSING

WASHINGTON, D.C. MARCH 11, 1982

My name is Virginia Toews. As the Executive Director of the Northern Cheyenne Housing Authority, Lame Deer, Montana for over a decade and a long-time Board Member of the Northern Plains Indian Housing Authorities Association and one of the Board of Directors of the National American Indian Housing Council I thank you for affording us the opportunity of appearing here today voicing our concerns in regard to President Reagan's budget and the termination of the Department of Housing and Urban Development's (HUD) Indian housing program. We have come through many a crisis with your help and commitments over the years and we do not expect anything less today as we join the massive outcry of Indian families in dire need of housing not only on the Northern Cheyenne Reservation, but nationwide. We are here to voice our protest against the present Administration's endeavor to disregard the housing needs of American Indian Tribes and Alaska Natives whose living conditions are as bad, or worse than that of the citizens of underdeveloped countries.

NEED

One of the most visible problems on Indian Reservations is the severe shortage of decent housing. Since 1961, HUD has provided the only significant housing programs, (Low Rent and Mutual Help Homebuyer Program) for Indians. Other agencies and private markets run into enormous problems because of the complexity and unfamiliarity of laws relating to Trust property and Tr bal Governments. However, HUD found a way to overcome these obstacles and began to provide up to 6,000 units of Indian housing per year in the early '70's. This effort hasn't even scratched the surface to alleviate severe overcrowded conditions or for families having no housing at all.

I have brought with me testimonials from many Indian Tribal members of the present housing conditions and devastating results of overcrowded families. (See attachments) a few quotes are:

"We live in a four room house and there are IO people that live in the house ...there is no water and no electricity, I have to go a ten mile trip to get water. I wish some day to live in a good house."

Mary Young Bull Bear
Oglala Sioux
Pine Ridge, South Dakota

"My family and I are currently living in a renovated old log house built back in the 30's. It does not have a foundation and the logs are getting old and rotten in places. I tried get-ing a VA loan, but the local banks refused me because I was living on a Reservation. We need the houses."

Leonard Littlewolf
Northern Cheyenne
Busby, Montana

"That house we live in is 5 years old and has four bedrooms and there are]6 of us that live in this house....I know that my brothers and sisters have applied for houses but there just are no houses available.."

Donald Seminole
Northern Cheyenne
Lame Deer, Montana

"Right now the Cheyenne Indians need lots of houses and better programs for Reservation people...the Cheyenne people are asking just for that equal right, justice and equal opportunity.."

Wayne Littlewhiteman
Northern Cheyenne
Lame Deer, Montana

"There is a drastic need of housing units in the young family sector......most now live in over-crowded homes with their parents or grandparents whose houses in most cases also lack meeting basic hygiene standards."

Dennis Sun Rhodes
Northern Architect Aropahal
Wind River Reservation,
Wyoming

"The Suquamish Tribe (Washington) is urgently in need of housing programs out of 76 households surveyed 22 need major repair, 23 need minor re-pair. From that same figure, only six homes are fully insulated.

Housing in this area runs about $350.00 per month for rent and these are scarce....we urgently re-quest that housing programs not be cut."

Lawrence A. Webster
Tribal Chairman
Suquamish Tribe

"I want to express my concern over the rescinding of the program of Indian Housing. There are three families living in this house consisting of nine people, this is a singly family dwelling. Our wiring is bad and our water we have to haul in by hand...only wood burning for heat....I hope there is some way you will be able to help us."

Burt Westlind
Turtle Mountain Band
of Chippewas
Belcourt, ND

"We are living in El Monte, CA and there are eight of us in the family. There is nothing here for us anymore due to my loss of job and it seems there is none available. I want to go back home to my reservation. I would like to have a house built so my children will have a home. This is all I ask."

Dorothy Littlewhirlwind
Northern Cheyenne
El Monte, CA

"Our present reservation situation will not supply the homes needed for our present population of 2,331 enrolled Nez Perce...unless something breaks soon the already homeless will be found by many more homeless."

Nez Perce Tribal Housing Authority
Henry W. Penney
Lapwai, Idaho

"There are many families living in sub-standard houses and some of these homes have more than one family living in them. I hope you will take into serious consideration the need for continued housing for our people."

Melvin J. Wheeler
Nez Perce
Lapwai, Idaho

"Crowded and unsanitary living conditions because families are moving back to survive the inflation."

Ramona Wolfe
Winnebago Tribe
Nebraska

"The situation here at SKOKO MISH is very critical, if Congress neglects the needs of these indigenous people they will be forced to live in one room shacks without power or water. Where does Congress's humanity lie?"

James Byrd, Sr.
Chairman
SKOKOMISH Tribe
Shelton, Washington

"There are seven of us living in this one bedroom house and we've exhausted all local places and people who are supposed to help us....we don't know what we're going to do if you don't help us."

Evelyn Richard
Oglala Sioux
Pine Ridge, SD

"There are many elderly people living in log houses without indoor plumbing. There are people living in tar paper covered houses I have seen a 90 year old lady hauling water from a stagnet pond...many of the young families are crowded into their parents homes since there is no other place for them to live."

Nancy Elliott, C.H.N.
Community Health Nurse
Lame Deer, Montana

"Southern Puget Sound Inter-Tribal Housing Authority presently serves the following 6 tribes:

Tribe	Housing Application on hand
HOH	29 " " "
Nisqually	50 " " "
Shoal Water Bay	11 " " "
Skokomish	33 " " "
Squayin Island	42 " " "
Suquamish	29 " " "
	194

"It is urgent that the Indian housing programs be continue to meet these needs.....that Indian Health Service and Indian housing be funded fiscal year 1983."

Leslie R. Rutledge, Jr.
Executive Director
Southern Puget Sound Inter Tribal Housing Authority
Washington

"It is urgent that Indian programs be continued to meet the needs."

George M. Kalama
Chairman
Nisqually Tribe
Washington

"Plead for continual Federal financial assistance in development and management of housing on Reservations."

Rick Farrell
Executive Director
Salish and Kootenai Housing Authority
Pablo, Montana

"One example I would like to give is a family that is living in a 24 X 24 house which has two bedrooms.....there are 10 people living in this house and has no running water."

Mary Ewing
Director
Northern Cheyenne Community Health Representatives
Lame Deer, Montana

"I am sick and tired of being turned down by the Housing staff. I am sick and tired of getting the same answers "I am sorry but there is nothing available right now" the home we live in is presently housing three families which causes family conflicts...there are constant family conflicts which causes daily frustrating situations that can be emotionally damaging to my children, ages 9 and 10."

Mr. & Mrs. Frank Roundstone
Northern Cheyenne Tribe
Lame Deer, Montana

I would like to call your attention to the letter from the President of the Northern Cheyenne Tribe concerning the recommendation of this Administrations elimination of assisted Public Housing and the recommendation from the President's Commission on Housing to "overhaul Public Housing Programs Mr. Allen Rowland states, "The Commission is urging (1 new tax incentives for mortgage investment; and (2) calling for radical deregulation of nearly all aspects of the housing industry and increased reliance on the private sector". Although the tax incentive is bothersome, item number (2) is sudden death for Indians living on Reservations Mr Rowland explains "there is no private sector on the Northern Cheyenne Reservation therefore reliance on such financing for housing construction on the Reservation is prohibtive." He goes on to state, "I do not deny the fact that Public Housing must be improved yet, wholly recognize that if such housing programs are shifted over to private industry, the Northern Cheyenne Indian Reservation will literally have no housing for tribal members and their respective families." I believe he speaks for most of the tribes because truthfully this scheme is abandonment of Indian Housing programs condemning Indian families to a continued life of despair, poverty and a growing multitude of health problems.
Dr. Jon Hauxwell, M D Lame Deer, Montana, in his letter uses the term, "highly contributory" as he registers his dismay that the President and Congress would even think about discontinuing the greatly needed Indian housing programs.

To conclude, Donald Bishop, Chairman of the Montana Inter-Tribal Policy Board, (representing eight Tribes emphasizes in his letter that before final decision is made members of the President s Commission Congress and the President should venture outside their offices and see the need for housing right in the Nation s Capitol. Further, he invites anyone to "stay in an Indian house where the wind blows through in a wall crack and acts as a siphon going out the opposite side taking with it what little heat remains....I know of cases where two, three sometimes four families live in one dwelling. All these people use the same sanitary facilities which in turn poses severe health problems ".

Because I personally have been in the Indian Housing business for nearly 20 years I am keenly aware of the lack of housing stock (there is no such thing as a vacancy rate'), housing conditions and severe overcrowded conditions Although this Administration has 'good intentions' I have great difficulty of their intent to ignore the unique legal responsibility to Indian tribes, their extreme poverty, isolation and undeveloped economies and along with our Tribal President I must harshly oppose this Administration's recommendations.

The NAIHC-National American Indian Housing Council

The HAC-Housing Assistance Council

The NRHC-National Rural Housing Coalition

The NTCA-National Tribal Chairmen's Association

Northern Plains Indian Housing Authorities Assoc.

Oklahoma IHA Assoc.

Montana Inter-Tribal Policy Board

Northern Cheyenne Housing Authority

Blackfeet Indian Housing Authority

Absentee-Shawnee

San Ignacio Yaqui Council, Inc.

The above groups recommend Congress assure:

1. That immediate and continuous commitment to providing Federal housing assistance to American Indians and Alaskan Natives, both on and off Reservation.

2. That within this commitment, Congress guarantee a housing component to meet the needs of the very lowest income tribal members.

3. That for the short-term, the existing HUD Indian Housing Programs remain in place with strict program improvements such as deregulation, cost containment and technical assistance for Indian housing management.

4. That water and sanitation facilities be provided for HUD Indian housing units in the pipeline by the Indian Health Service, as appropriate.

5. That HUD not be allowed to deobligate or transfer housing funds to provide water and sanitation facilities, thus diminishing the number of housing units to be constructed for needy Indian families.

6. That funding for the 4,000 units of HUD Indian Housing for FY'82.

7. That operating subsidies for rental projects be provided in adequate amounts in a timely manner to protect and maintain the Federal investment in housing as stated in the Annual Contributions contract.

NATIONAL RURAL HOUSING COALITION

April 20, 1982

Hon. Henry B. Gonzalez
Chairman, Housing and Community
Development Subcommittee
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Representative Gonzalez:

On March 16, 1982, Moises Loza testified before your Subcommittee on behalf of the National Rural Housing Coalition. He submitted for the record the testimony of rural housing advocates around the country presented at the NRHC's March conference. Since that time we have received additional written testimony which we would like to add to the hearing record if it is still open. Copies are enclosed.

Thank you very much for your attention to this matter.

Sincerely,

Leslie Strauss

Leslie Strauss
Administrator

/ls
Encl.

1016 16th Street, N.W., Suite 8N, Washington, D.C. 20036 • (202) 775-0046

CDBG Program Review
Logan, Utah 3/22/82

APR 2

Statement on Housing Needs in Cache County
by Sue Martinez

My name is Sue Martinez. I represent the UNITED Mobilehome Co-op and Citizens for Low-Cost Housing. I appreciate you for giving me this opportunity to document the housing needs of the people of Cache County, especially people in the lower income brackets. Housing needs of the low to moderate income have traditionally been a high priority of the Small Cities Community Development Block Grant program. We want the tradition to continue and ask that you place high priority on activities that are directly related to housing development and rehabilitation.

Background

The entire country is in a housing crisis. Production of new housing nationally is at its lowest level in two generations. 20per cent of all construction workers are unemployed. As many as 1,000 savings and loan institutions could fail within the next year. Rents have increased dramatically in the last few years. Shelter costs typically take up 50 to 70 per cent of the low to moderate income household's budget.

The increased demand for housing caused by a lack of housing starts coupled with an increase in population result in higher shelter costs for low to moderate income households and a lower access to good housing. As an example, I will use the findings of a marketing feasibility study done for UNITED Mobilehome Co-op in Logan.

Example

The residents of Hatfield's Court have organized into a co-op for the purpose of developing a co-op park in Logan that will be owned and managed by the residents of the park. The residents of Hatfields are being displaced

by development of an office building and a Safeway. We want to develop a co-op park to solve our displacement problem. Bear River Ass. of Gov.'s allocated $3,500 in housing funds to the Community Action Agency to be used as "seed money" toward the development of the park. The marketing study prepared for us by the Small Business Development Center of USU this month, March, 1982, was done to determine the feasibility of developing a mobilehome park in Logan.

Table 1 (attached) gives information on mobilehome parks in the area. All of the parks contacted had 100 per cent occupancy. Park managers receive 10 to 30 inquiries per month. Most of the parks attract a mixture of tenants--married, single, young families, retired. Several tenants of the smaller parks complained of poor management and rundown conditions.

There is one new mobilehome subdivision awaiting development in Logan. The owner indicated that financing terms and high interest rates may pose a real problem for potential buyers. The owner will have to sell the 52 lots for in excess of $10,000 just to break even.

Mobilehome sales have been very poor because 1) there is nowhere to put a new mobilehome and 2) the interest rates are so high that people can't afford to finance them. Dealers feel the sales will stay the same until interest rates come down.

Zions First National Bank is the only bank in Logan offering mobilehome financing. Some out-of-town financial lenders offer better rates.

According to H&N Realtors, new housing starts are at a standstill. The realtors estimated the housing surplus to be at a low 2 to 3 per cent. Average occupancy rates on rental housing range from 80 to 95 per cent depending on location, condition and time of year. Average rental rates are as follows:

2 bedroom apt.	$200-250
3 bedroom apt.	250-300
houses	300-450

In 1979, the average nonagricultural monthly wage in Cache County was 733.00. 250 rent is 34 per cent of 733, and that does not inclued the cost of utilities.

The projected population growth for Cache County is 39 per cent from 1980 to 1990. The projected growth should stimulate an increased demand for housing.

<u>Summary</u>

Although demand or interest in new mobilehome housing looks very strong and the people of Hatfield's Court are facing immediate displacement, the feasibility of developing a new park is largely a function of the land, developing and financing costs involved. Based on estimated costs and interest rates and the average annual wages of the work force in Cache County, the feasibility of such an undertaking is questionable. The study says, however, that if a group of individuals with a common interest could pool thier human and financial resources, a cooperative park may prove to be very successful in this area.

Without the support of financial resources such as those available through the CDBG program, self-help projects such as ours are not possible. I urge you to take the housing needs of the people of Cache County into consideration and place high priority on housing in the CDBG program for the Bear River District.

TABLE 1

	Name and Location of Park	#Lots	Rental Fees	Occupancy Rate	Type of Tenant	Inquires
1.	Palatial Living 411 W. 725 N.	120	$ 70	100%	Mixed	8/mo[1]
2.	Dale's Park 975 S. State Highway	49	70	100%	Mixed	30/mo
3.	Cache Valley 195 E. Main, Richmond	15	65	100%	Working Couples	
4.	USU Park 1100 N. 900 E.	150[2]	42-sw 59-dw	100%	Married Students	15/mo[3]
5.	Western Park	20	80	100%	Mixed	
6.	Hatfields 910 S. Main	16 (will be closing in the near future				
7.	Aspen Park Subdivision 2025 S. US HWy 89-91, 1100W.	52	10-12,000	(In the process of subdividing lots for sale)		

1. The manager said that he received about 20 inquiries per month before interest rates got so high.

2. The USU Park is going to add 11 new lots this year.

3. The USU Park has a waiting list of 35 people.

Sources: Interviews with owners, managers, and tenants.

Please see Appendices 2 and 3 of Logan and Cache County for Locations of various mobile home parks.

THE EFFECTS OF THE ADMINISTRATION'S FY '83 BUDGET

ON MUTUAL SELF-HELP HOUSING PROGRAMS

Prepared by

LAKE COMMUNITY DEVELOPMENT, INC.

March 1982

The Reagan Administration is proposing to reduce FmHA rural housing programs by two-thirds in Fiscal Year 1983. The total cut in FmHA lending activities for housing is $3 billion. This means a loss of over 60,000 subsidized units and another 12,000 moderate income, unsubsidized loans.

Under the Reagan budget, FmHA would be able to finance 20,000 loans under the 502 program for homeownership (compared to 83,770 loans in Fy '82), about 9,400 very low income repair loans and grants (compared to 11,750 loans and grants in FY '82), less than 6,000 rental housing units under the 515 program (compared to 30,170 units in FY '82) and about 1,000 farm labor housing units. In addition, the technical assistance grant program for self-help housing organizations is proposed for elimination.

The mutual self-help housing program provides low and moderate income families with the opportunity to obtain homeownership by contributing their own time and effort. Assisted by a non-profit corporation, a group of 6 to 10 families works together to build their own homes. Mortgage money is provided by the FmHA Section 502 loan program. Skilled and technical jobs are subcontracted. The main purpose of the self-help program is to reduce the mortgage costs for each family, thus enabling families of lower incomes to attain homeownership. In Fiscal Year 1982, approximately 3,000 self-help homes will be built nationwide.

In Lake County, a mutual self-help program is administered by Lake Community Development, Inc. Since the inception of the program in mid 1979, 49 homes have been completed in such communities as Mt. Dora, Eustis, Leesburg and Astatula. Five homes are currently under construction in Groveland and additonal units are planned for Eustis and Mt. Dora. During the past year, Lake County families participating in the self-help program have had an average income of $9,000 and have been employed in a variety of jobs: farmwork, farm-related industries, unskilled and semi-skilled labor and service jobs. The majority of these families would not have been able to afford a home unless

they had been willing to contribute the time and effort required by the self-help program. An additional benefit of the program is the participation by all families in homeownership counseling sessions dealing with homeowner responsibilities.

Self-help housing has had benefits for the Lake County community in general. Of the approximate $26,500 in loan funds for each home, an average $22,500 is invested back in the community in the form of permit fees, utility connection fees, purchases from building suppliers and monies paid to local subcontractors. Each new home is an addition to the local property tax base and, in most cases, is a much needed improvement in an historically poor neighborhood.

The elimination of the self-help housing program and the significant reduction in FmHA mortgage funds will eliminate the opportunity of homeownership for many rural families, in Lake County and throughout the country.

NOTE: FmHA Budget Estimates Provided by National Rural Housing Coalition

LAKE COMMUNITY DEVELOPMENT, INC.

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Response to Budget of the U.S. Government
Fiscal Year 1983
Office of Management and Budget

Prepared By
Lake Community Development, Inc.
March 1982

Lake Community Development, Inc. (LCDI) is a private non profit corporation that is producing housing for families of low and moderate income in Lake County, Florida LCDI s major activities are mutual self-help housing, housing rehabilitation and multifamily housing for farmworkers. Therefore the following responds to those budget items dealing specifically with those housing programs.

Mutual Self-Help Housing: In order to function, this housing program depends upon Farmers Home Administration (FmHA) Mutual Self-Help Housing Technical Assistance Grants and FmHA Individual Home Ownership Loans The following budget have been proposed for these two tems

Technical Assistance	28 grants in FY 82	0 grants in FY 83
Low-Income Housing Loans	35,430 units in FY 82	12,720 units in FY 83

The Administration s rationale for these reductions includes the following arguments:

Administration	LCDI Response
- Rural areas are adequately served by private credit	- According to the East Central Florida Regional Planning Council, the average income in Lake County is $18,990 and the average cost of a new home is $70,000. Because high interest rates make it impossible fo the average family to afford the average house Lake County Commissioners are in the process of issuing bonds to finance single family construction. (See Attachment A)
- A reduction in loan volume will allow FmHA to focus on the most needy families.	- The recognition of the importance of serving the most needy is commendable however the elimination of the mutual self-help housing program would prevent this from being accomplished. The average income of LCDI's self-help families is $9,117 and the average mortgage is $26,250. No conventional builder is reaching this market.

Building Communities of the Future

Administration	LCDI Response
- A reduction in loan volume will improve delinquency.	- It is important to determine the real cause of delinquencies. Some major reasons are the lack of adequate counseling, inadequate staff to perform delinquency follow-up, inadequate computer capacity and reporting. None of these would necessarily be solved by reduced loan volume. Self-help housing, through active participation and education of families, assists in reducing delinquencies.

With a large unmet housing need among middle income families, there is no incentive for the private market to respond to the needs of the low and moderate income families who are currently being served by the self-help housing program. In addition to serving a legitimate need, self-help housing generates significant amounts of money in the local community through payments to suppliers and subcontractors (See Attachment B).

Housing Rehabilitation: FmHA provides two types of assistance to families whose current homes need repair: very low income repair loans and very low income repair grants. The following budget has been proposed for these items:

Repair Loans	5,296 units in FY 81	6,440 in FY 82	5,900 in FY 83
Repair Grants	7,687 units in FY 81	4,651 in FY 82	3,515 in FY 83

The Administration's rationale for these reductions includes the following arguments:

Administration	LCDI Response
- Rural areas are adequately served by private credit	- In low income communities throughout Lake County substandard housing has been significantly improved only when public money has been available (CDBG,FmHA). Due to the very severe problems in many of these homes, there is no incentive for private contractors to repair them.
- A reduction in loan volume will allow FmHA to focus on the most needy families.	- The families who benefit from FmHA repair program are among the the most needy in Lake County (See Attachment C). Without low interest loans and grants, these families (many of them elderly) would have no means of accomplishing even the most minimal repairs. It is beneficial to keep the rural elderly in their own homes.

93-366 O—82—37

Farmworker Housing: Farmworkers have historically been the lowest paid and the most poorly housed segment of our society. FmHA provides Section 514 loans and Section 516 grants for the purpose of constructing housing for farmworker families. The following budget have been proposed for thes items:

Farm Labor Loans	1,340 units in FY 82	1,090 units in FY 83
Farm Labor Grants	44 grants in FY 82	43 grants in FY 83

The Administration's rationale for these reductions includes the following arguments:

Administration	LCDI Response
- Rural areas are adequately served by private credit.	- Due to high interest rates and high housing standards, private individuals (including farmers) are not willing or able to build farmworker housing. The stigma attached to farmworkers further discourages construction.
- A reduction in loan volume will allow FmHA to serve the most needy.	- Farmworker families are, without a doubt, among the most needy. A recent survey by LCDI showed that farmworker families in South Lake County was between $6500 and $7500 per year. Even with a low interest loan and a grant, LCDI will have difficulty constructing units that will be affordable for farmworkers. (See Attachment D).

The Administration's projection of the number of grants may be misleading. Due to the unavailability of rental assistance, applicants will find it necessary to request that 90% of the project costs be paid with grant money. In the past, the average was closer to 50%.

Attachment A

lake little sentinel
Volume 7, No. 34, Wednesday, February 17, 1982 — A section of the Sentinel Star

County inches closer to home loans

By LYNNE BUMPUS-HOOPER
Lake little sentinel

TAVARES — County commissioners Tuesday moved a step closer to offering reduced interest loans for eligible home buyers Tuesday by setting up a meeting next week for representatives from all local financial institutions.

The county recently drew up an ordinance creating Lake County's first housing authority and setting up management of the authority under the Orange County Housing Finance Authority. Sam Mazzotta, executive director of the Orange County organization, told commissioners that terms for an interlocal agreement between the two counties have been formulated and will be ready for commissioners to study later this week.

The purpose of the authority is to provide money primarily for construction of new homes by middle- and low-income families at a reduced interest rate backed by a bond issue. Commissioners concluded previously that current high interest rates are keeping many potential home buyers out of the market.

A date for the meeting with the financial institutions has not been set yet, but will be held during the first part of the week, commissioners said.

Homebuilders and other members of the construction and real estate industry have backed the formation of the housing authority because of the declines in building in Lake County, although they have said it would take

Loans, page 3

Loans — From 1

more than six months for the authority to have any effect on the current housing slump.

Commissioners decided to hold the educational meeting for the financial institutions before appointing members to the five-person advisory board for the authority.

"I think that all the institutions should be invited to the educational meeting and that the selection for the committee should come from those who are interested," Commissioner Claude Smoak said.

"A lot of the financial institutions in the county now don't know what we're trying to do," he said.

A number of guidelines will govern who will be eligible for the housing loans once they are available, Mazzotta said.

"There's an upper income limit on the applicants and on the type of structure they want to build," he said. The applicants would also have to be first-time homeowners.

Mike Willett, county planner, said that the rule of thumb on the maximum income eligibility would probably be 80 percent above the [illegible] income of a county resident, which is $14,[illegible]00. According to that formula, the maximum income for applicants would be $22,000, he said.

Willet said existing homes also could be purchased under the program, but it would be more beneficial to the county if new homes are constructed. He said the county is considering a $23 million bond issue.

Interest rates will be determined by what the bonds sell for, Mazzotta said.

Commissioners decided to join forces with the Orange County authority to hold down overhead costs and to allow them to float a larger bond issue. Administrative costs for the Orange County management would be covered by funds generated by the bond issue.

Attachment B
Funds Generated by LCDI Self-Help Housing

Number of Houses: 41

Paid to Subcontractors:

Plumbing, Electric and Heating	$139,850.00
Masonry	44,890.00
Aluminum (Fascia, Soffit, Gable Ends)	36,840.00
Drywall (Materials and Labor)	53,240.00
Cabinets	39,760.00
Insulation (Attic)	9,370.00

Paid to Major Suppliers:

General Building Supplier	$176,280.00
Masonry Supplier	92,790.00
Paint	13,360.00

Attachment C
Characteristics of LCDI Repair Applicants

Family #1

Age of Head of Household: 75

Annual Income: $3,550

Description of House: Wood frame with three bedroom, living room, bath, kitchen and porch. Tar paper cover outside.

Description of Repairs Needed: Repair roof, tile ceiling, replace some windows, upgrade electrical service, repair plumbing. Cost $5,675

Description of Family Head of household is a 75 year old widow whose husband was a farmworker. She has owned the house since 1954. She is dependent on Social Secruity. Her daughter makes all financial decisions for her.

Family #2

Age of Head of Household: 65

Annual Income: $9,050

Description of House: Concrete block with two bedrooms, kitchen, iving room, bath and utility room. Roof is tin; electric service is 30 amp.

Description of Repairs Needed Upgrade electrical service, install water heater, replace toilet, install stainless steel kitchen sink, drywall bathroom walls, install kitchen cabinets, install two new exterior doors. Cost = $5,450

Description of Family Head of Household is a 65 year old man who works part-time and is a former farmworker. He has owned his home since 1955. His wife is 70 years old.

Family #3

Age of Head of Household: 36

Annual Income: $11,000

Description of House: One story with one bedroom, living room, kitchen and bath. Floors are sloping and roof is tin.

Description of Repairs Needed Upgrade windows, upgrade walls and ceiling, replace plumbing in kitchen and bath, upgrade electrical service, level floors. Cost $8,600

Description of Family Head of household is a single man, age 36, who inherited the house in 1972 He is a grove worker and takes great pride in the house which is always tidy and well-kept.

<u>**Family #4**</u>

Age of Head of Household: 53
Annual Income: $10,800
Description of House: Wood frame with two bedrooms, kitchen, living room, bath and porch.
Description of Repairs Needed: Cover exposed wiring; install ceiling; install two windows; rehab bath, flooring, kitchen
Description of Family: Head of household is a 53 years old man whose wife is 50 years old. They have 5 grown children who live elsewhere and 3 children who live with them. He works part-time doing nursery work and has a full-time job as well.

Attachment D
Projections for LCDI's Farmworker Housing

Total Estimated Csot (January 1982) = $2.42 million
Number of Units = 60
Distribution of Units
3 one-bedroom
15 two-bedroom
28 three-bedroom
14 four-bedroom

If LCDI received a 50% loan and 50% grant from FmHA, the monthly rents would be approximately:
$206 one bedroom
$227 two bedroom
$246 three bedroom
$263 four bedroom

With a 10% loan and 90% grant, the rents would be:
$158 one bedroom
$173 two bedroom
$188 three bedroom
$201 four bedroom

Therefore, even with 90% of the cost being paid with grant funds, rents are still substantial for farmworker families. This example clearly shows that it would be impossible to construct similar housing in the private market at a price that farmworkers could afford.

Crow Tribal Housing Authority
Box 99
Crow Agency, Montana 59022
Phone 406-638-2665

March 9, 1982

Ms. Peggy Denker
National Rural Housing Coalition
1016 Sixteenth Street NW - Suite 8N
Washington, D.C. 20036

Attention: Virginia Toews

Dear Ms. Denker:

The National Rural Housing Coalition's concern for rural housing is a concern for Indian housing. As I am sure you know, Indian people are the most rural of all people in these United States.

By way of background, the Crow Tribe is located on a reservation in southcentral Montana. Presently, the total membership approximates 6,500 and the Crow Tribe, on the average, is an extremely young tribe. (75% are 24 years and younger.) Of the total population, there are presently on file at the Crow Tribal Housing Authority 122 applications. In my opinion, this great demand for housing can be directly attributed to:

(1) The demand of young Crow Indian families for housing
(2) A reverse migration of Crow Tribal members who are returning from off the reservation to the reservation.
(3) The 1978 spring flood which destroyed property including houses of Crow people.

In my opinion, this demand will continue to rise in the future.

Also, it should be noted that traditionally a home or house is the second mother for Crows. According to the Crow way, each Crow has three mothers which includes the biological mother, the home and mother earth, therefore, the Crow people who are without homes and who live in overcrowded, unsanitary and unsafe conditions are, so to speak, without their second mother.

I would appreciate anything you can do on behalf of the Crow Tribe and wish to thank you for asking the Crow Tribe to participate in this effort.

Sincerely,

Patrick Stands, Chairman
Crow Tribal Housing Authority

HOH INDIAN TRIBE
STAR ROUTE 1, BOX 917 FORKS, WASHINGTON 98331
TELEPHONE 206-374-6582

March 12,1982

ATTENTION: Cushing-Dolbear
Indian Housing - Virgina Powes
National Rural Housing Coalition
1016 16th St. N.W. Suite A-N
Washington D.C 20036

Dear Sir:

I am an individual member of the Hoh Indian Tribe. I am writing to you to express my concern for the future of my people. Because of the Federal Budget Cut Back, we are on that list to lose our Houses. We had applied for houses for the people so that we could stay on our reservation , and be close to our Indian Heritage & Culture. Where we can express our culture freely, With the loss of the homes our people are forced out into the cities. In the nearby surrounding the Hoh Indian reservation or nearby reservations, and to compete with the non & Indians for housing. If you can see it in your heart and see our loss please help save our houses.

Sincerely,

Donna George

Donna George

HOH INDIAN TRIBE

STAR ROUTE 1, BOX 917 FORKS, WASHINGTON 98331
TELEPHONE 206-374-6582

March 10,1982

ATTENTION: Cushing-Dolbear
Indian Housing - Virgina Powes
National Rural Housing Coalition
1016 16th St. N.W. Suite A-N
Washington D.C 20036

Dear Sir:

This is a letter of response to the recinding of all but 160 units of 4,000 units for Indian housing programs. I feel that cutting back in programs that have followed through within the last five to ten years is a waste of effort on the tribes area for submitting and working on housing programs. Mostly because some tribes have been working on getting these programs through the housing funding area and the process will have to be submitted over again. I feel that if there is to be a cut back that these type of programs should be gradually worked into the system and not on an instant decision.

The Hoh Indian Tribe has been working on housing for the last ten years for a project and when the tribe had finished the application only to learn that there is going to be a cut back and the tribe is in jeopardy of losing these homes. I feel that this type of project is not for the benefit of any tribe and any decision that is made at this time will only do harm to the tribes that have projects in the near future.

The Hoh Indian Tribal members are living in sub-standard trailer homes at this time and I feel that these type of homes are not up to standard because of the type of material that is used to make these type of trailers. There are two families that live in one house on the reservation and there are families that live outside of the reservation because there is no homes to rent in our reservation.

Although the size of the reservation is not a large area there are more members that do enroll into the tribe. The isolation of the reservation does not help the members that want reside on the reservation. The Hoh Indian Reservation is located on the ocean side, 30 miles from any type of shopping area and 120 miles north of Aberdeen WA. There is a need for adequate housing on the reservation.

I, Mary K.Leitka, Chairperson of the Hoh Indian Tribe would like your support opposing the recinding of these programs for this fiscal year.

Sincerely,

Mary K. Leitka

Mary K.Leitka
Chairperson
Hoh Indian Tribe

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS
BLACKFEET INDIAN AGENCY
BROWNING, MONTANA 59417

March 8, 1982

Cushing Dolbear
1016 16th St. N.W.
Suite 8 N
Washington, D.C. 20036

Att: Virginia Towes
Indian Housing

Dear Sir:

The Blackfeet Indian Housing Authority has processed an application to obtain funds to provide housing for the homeless Blackfeet Indian families.

Due to the non-existance of available adequate housing on the Blackfeet Reservation, there are families with children that must sleep in various locations until the next-of-kin (in already crowded living conditions) take the families into their homes.

On many occassions through-out the year, the Blackfeet Tribal Business Council takes action to approve paying a local motel for a room for the homeless families in dire need. This Agency has had to do like wise.

I strongly urge that the Blackfeet Indian Housing Authority's request for funding to secure more housing be approved.

Sincerely,

Superintendent

Mr. Cushing Dolbeare
National Housing Coalition
1016 16th St. N.W. Suite 8N
Washington, D.C. 20036

March 3, 1982

Dear Mr. Dolbeare,

I am an enrolled member of the Turtle Mountain band of Chipewa indians on the Turtle Mountain reservation, and I am very concerned over the contents of the document dated February 10, 1982, Federal Register, part 4, marked Office of Management and Budget, budget recissions and deferrals. I am currently on a future list for housing . I live in a house that is really unsafe to live in. Our wiring is always triping the switch which is outside on the pole, our water is as white as chalk when turned on. The water pipes in the bathroom are always freezing, which causes us to find other ways of bathing, and that gets to be a problem especially in the winter. The floors are all crooked, and in need of repair. I could go on and on, but I know your time is precious.

I work and go to school in Belcourt, and thats why I don't move to another city, and its been impossible to find housing on the reservation. I am not the only one that is having trouble. The winter here this year has been extra hard, and that is causing problems for everyone here. There are a lot of unsanitary conditions in this area.There are three families living in a single family house where I live.

I thank you for taking the time to read my letter, and I thank you for all you have done in the past. I hope that you will be able to help all the indian people who are having the same kinds of problems. I believe because of the cutbacks already, we are more in need of housing on reservations because of the number of people who are returning to the reservations because they cannot find work or housing elsewhere. I also think as the time goes on this problem will be greater.

I thank you from the bottom of my heart for all you have done in the past.

Sincerely,

Barbara Poitra

National Rural Housing Coalition
1016 16th Ave. N.W.
Suite 8N
Washinton D.C. 20036

Re: Letter of Support to the Need of
American Indian Housing.

From: Arapahoe Tribal Members
Wind River Reservation
Ethete, Wyoming 82520

Dear Congressional Delegations/Committees

We are enrolled members of the Northern Arapahoe Tribe of the Wind River Reservation in West Central Wyoming. We are the delegated home owners through the HUD Mutual Help Housing Program (Wyo.Project 1-16). We are aware of the stop and go situation of the current Indian Housing Programs across the U.S.A.

We wish to go on record in favor to the continuation of the Housing Programs for American Indians because of the tremdious need of homes in the Indian Communities across this land. Most of us are now forced with our own families to live in homes that do not meet our basic needs and in some cases we are forced to live with our kin folks in over crowded conditions. When we do seek rental units in the Private Sector of the adjoining towns of Lander and Riverton, Wyoming;we are forced to pay exceedlingly high rents because the area is currently experiencing a boom economy due to the oil/coal exploration/development.

We feel our situation for housing is critical now, but we are also aware that younger members of our Tribe have begun to have families;Therefore: the housing shortage will be more acute and steps should be taken to insure the continuation of the flow of Housing Units to the Indian Communities across the U.S.A.

With all due respect;
Arapahoe Tribal Members
Mutual Help Participants
Wind River Indian Reservation

[illegible] Date 3/5/82
[illegible] Date 3/5/82
[illegible] Date 3/6/82
[illegible] Date 3/6/82
[illegible] Date 3/6-82
[illegible] Date March 7, 1982
[illegible] Date
[illegible] Date 3-8-82
[illegible]
Velma Rhodes 3-8-82
[illegible] 3-8-82
[illegible] 3-8-82

Mr. Lowry. Thank you, Mr. Loza.

Mr. Wilson, would you compare the impact on rural housing of a continuation of the 1982 budget level to the proposed 1983 recommendation of the President?

Mr. Wilson. Well, I think a comparison—in a sense, one would have to use the word disaster. The budget levels for the proposed fiscal year 1983 are so low that the program would be virtually eliminated. We would be going from $3.7 million in the 502 program down to something like $900 million.

Overall, there is a two-thirds reduction in program level, including, as I indicated, the virtual elimination of the rental assistance program, which will make it extremely difficult for the Farmers Home Administration to reach any low-income people with the fiscal year 1983 budget.

They had a target that was set by the housing bill last year where they were supposed to provide 30 percent of their program resources to families below 50 percent of area median in 1981, and they came pretty close. They came about 23 percent, rather than the 30 percent. Only 13 percent of that, unfortunately, was in the 502 program. They probably could have done a little bit better there.

But if 30 percent is a target again for fiscal year 1983, then it will be virtually impossible for them to come even as close as they did in 1981. It would be difficult even in 1982, because the rental assistance levels for 1982 are quite low as well.

Mr. Lowry. Thank you, Mr. Wilson.

Ms. Kleimo, would you respond to that same basic question of the comparison between continuing the existing 1982 level? Mr. Loza did as a matter of fact refer to it.

Ms. Kleimo. I think we are all very much in agreement about the disastrous impact of the proposed 1983 budget, and I think that one of the biggest disasters is that not only is the actual dollar amount, the actual total dollar amount of the housing programs significantly less, but the ability of any of those dollars really to reach the lowest income families who need them the most is almost nonexistent without rental assistance or anything of that sort.

Mr. Lowry. Mr. Loza?

Mr. Loza. Mr. Lowry, we did some very preliminary figuring, and if I may just make some comparisons. In the fiscal year 1982 budget, we figured that about 83,700 units of 502 would be built with the appropriation. The administration's proposal for 1983 would build 20,000, which is a quarter of the 1982 level.

For the 515 program, which is the rental program, the fiscal year 1982 budget would build a little over 30,000 units. The administration's proposal for 1983 would build over 5,000 units. So the cuts are very drastic.

But as has been said before, probably the real pain would be to the very low income, since the self-help program would be eliminated, for one thing, and the rental assistance program would not be made available, or if it were, very minimally, to new units.

Mr. Lowry. Thank you.

The gentleman from Nebraska, Mr. Bereuter.

Mr. Bereuter. Thank you, Mr. Chairman. I have no questions.

Mr. Lowry. I would like to call upon the chairman then.

Chairman GONZALEZ. Thank you very much, Mr. Lowry. I appreciate your great help.

I also wish to express once again my gratitude for the excellent presentations.

Mr. Loza, I am sure you agree that even in the levels proposed in H.R. 5731 we are still actually there talking in terms of, with respect to rural needs, of levels below, in my opinion, the actual needs that are confronting us, when we take into account the low average income in these areas and the more unsuitable nature of the housing that seems to exist there.

But the reason is that here we are talking about just surviving. The big issue this year is survival of the basic programs and policies, particularly with respect to rural America, because the budget request, that is as of February 8, that the administration revealed to us, indicates that they are zeroing those programs out.

But it is our hope that this would be the minimal action. After all, this bill, somebody referred to it as Chairman Gonzalez' bill. Actually, it is the majority, the majority members of the subcommittee that got together, and the staff worked at it real hard, with the two main goals which we have been striving for 1 year and 1 month on, and that is the survival, the retention of the basic programs and policies that have worked.

But now I thought maybe you would have some thinking about whether or not even that was unrealistic. I feel that this is at least possible, that at the least it allows for continuation, for some survivability. What is your thinking on that?

Mr. LOZA. Mr. Gonzalez, we probably refer to it as the Gonzalez bill because of your leadership in the subcommittee and in the area of subsidized housing.

While we may not agree on the numbers, I think that one thing that we are very pleased about and delighted about is that you have in fact taken on the administration's stance that the Federal Government has no role in the production of housing. And while the numbers may not be exactly the same, we think there is room there for some discussion.

But the basic principle of the bill of the Federal Government having a role in the production of housing, particularly for low-income housing, is something that we applaud and recognize.

Chairman GONZALEZ. Well, I appreciate that deeply. And of course, knowing your background and all, I really do.

Well, that is the issue and it has been with me since 1 year ago. Unfortunately, it quite could not focus that way, because we had some things that were quite unprecedented, for example reconciliation, which this year will be substituted by other crises.

This is an election year, so therefore there are elements in which the whole budget reform process seems to be the thing that is going to be at stake this year, and how that impinges on us. But I think from the substantive legislative standpoint we have returned to what I had hoped would have been the case 1 year ago.

You see, 1 year ago we had hearings, because you will recall that what we said last year was that every one of these basic assisted housing programs have to be renewed every year. The Congress did this a few years ago. I thought then it was unrealistic, but because

they had this section 8 business they decided that they would have to come back once a year.

And it seems to me that last year, though, even though we went through that, when we finally sat down it was to argue over and hassle over the figures mandated, which in effect reached the substantive part of our legislation through the reconciliation process and the so-called Gramm-Latta amendment which compelled the reconciliation. And so to me it was awesome to sit in a group of the conference, a group of some six, seven or eight, and the whole idea was to reduce a number.

Last year it was not a question of whether or not a program worked or is needed out there in America. And that I thought was terrible. But nevertheless it happened.

This year I think we will have an opportunity, and I recognize that even though it is a compromise that at least it keeps the survivability of a basic policy and a program that the Congress long ago established, after debate, after hearings. This is all I have ever asked of the administration and my colleagues: Please, if we are going to eliminate, if we are going to kill, let us do so at least giving the process a chance. That is, let us have hearings, let us review those that are not working and are too expensive, et cetera.

And it was only through a combination of lucky events that we were able to preserve, for instance, some reasonable FHA activity. UDAG, for instance, was first zeroed out, and its survivability actually turned out to be because we were able to marshall the right conjunction of political forces 1 year ago.

I had one general question of Ms. Kleimo, because it was her invaluable help last year that enabled us to go from the congressional level for the first time into this area. No committee had ever gone into the question of rural America. We had peripherally looked at it from migrant housing and so forth. This was the first time we went in and targeted that.

Do you find that there was some residual good by those field trips to the Eastern Shore last year? In other words, did we do any good?

Now, I might say that we followed through and went to Texas and we went to California, and I went to two other States.

But I was just wondering now, some 6 months later, did that do any good?

Ms. Kleimo. Well, sir, I think that it did, and that perhaps in a tangible way it has not yet resulted in much that we can actually see in terms of housing units. But certainly what it did, first of all, was raise the issue to a level of attention that it had not ever had on the shore. So it has become an almost unavoidable point of discussion on the part of those who live and work on the Eastern Shore of Maryland and Virginia and in southern Delaware, the areas that you saw.

I think that there is a certain amount of hopefulness that arose from those who had contact with this subcommittee's visit in terms of, again, that attention, the belief that if you were willing to go out there yourselves and take a look at those conditions firsthand, that something was a little more possible than it may have been before.

And for that reason I think that there was some good. I also have appreciated a great deal personally the role of several of the staff of the subcommittee, who took such a personal interest in several individual cases and have done more to rectify some terrible situations than any of us working out there for several years were able to do; and that, I would extend appreciation from the folks out there to you.

I think that we will have to continue to look to the subcommittee to keep that issue alive and to keep the likes of the Farmers Home section 514-516 farm labor housing program funds available, so that some actual tangible changes can also take place.

Mr. WILSON. I would like to add, Mr. Chairman, if I could. I live in Annapolis and I noticed some increased activity in the State legislature in Maryland relative to farmworker housing, and also some increased media attention from the Baltimore newspapers relative to the farmworker housing situation on the Eastern Shore. And I think we would like to hope that your visit and the hearings helped create an attitude, a better attitude toward looking at those issues, in the State of Maryland anyway.

Chairman GONZALEZ [presiding]. Well, thank you very much. We have done some things that are not visible. For instance, we followed through, contacting the Governor in the specific case of one camp. But more importantly, we have also maintained an ongoing, through the staff, Mr. DeStephano and Mr. McMurray and the others, with the Farmers Home Administration.

Because when we were on the trip you will recall that in Virginia we suggested to the grower, who seemed to be very sincere and willing, perhaps a pilot program of some kind. Well, we have not forgotten that, and we have kept up. In fact, we have had our discussions with the Farmers Home Administration, but they are also in a period of transition, and we are sustaining, though, that interest and that contact.

In fact, I have a meeting scheduled with Mr. Shuman just as soon as we can get together on the hour and the particular date, and this will be one of the things; also, with respect to the general rule changes that finally, as you know, we finally got last autumn or late last year, which I think will really enable us to follow through on a more systematic basis, a selective basis, on the stimulus to produce the construction of the true migrant worker housing and generally rural housing.

The subcommittee also is continuing with the effort on the legislative level to get the active cooperation and interest of the chairman of the full committee and the Subcommittee on Appropriations in this area, and we have scheduled a meeting with them and with the leadership of the House. I have been trying to do this for 1 year because I think that this year the Congress will have to face it, it either is going to or it is not. That is, it is going to turn its back on the commitments made by the Congress years ago or it is going to reaffirm.

But we cannot postpone it. Now, it could have been last year, but not this year. So this is for real and this is why we are very grateful to you for your contribution.

I had one question for Mr. Wilson: Do you recommend that the committee provide in statute that communities between 10,000 and

20,000 population are eligible unless the Secretary of Agriculture finds on a categorical basis that a community in this population class is not lacking in mortgage credit? Do you think we should actually put that into the law?

Mr. WILSON. I think so, Mr. Chairman. I think it would be appropriate to have that in the statute.

Chairman GONZALEZ. What about—another question along that line: Do you think the committee should provide again some effort in statute for requirements for the allocation and establishing of priority in the distribution of Farmers Home Administration assistance funds?

Mr. WILSON. I think most definitely that that should be written into the statute and that there should be some way of requiring the Farmers Home Administration to meet certain low-income levels with a portion of their resources, because very frankly I think if that is not done then the programs will in fact not be targeted to low income.

It is easier when you are dealing with a loan program to skim off at the top, to take the easiest loans, to take the easiest applications. One can look at them and process them quickly and get them out of the way and know you are not going to have any headaches with them later on.

But the agency is a lender of last resort and I think they need to be reminded in statute that they are a lender of last resort and as a result should be required to serve a certain level of low-income families.

Chairman GONZALEZ. Well, I tell you, I for one would welcome any suggestions you have as to recommendations on an approach. If you have that suggestion, we would welcome it and be very grateful to you.

Mr. WILSON. We would be glad to do that, Mr. Chairman.

Chairman GONZALEZ. Mr. Bereuter?

Mr. BEREUTER. No questions, Mr. Chairman.

Chairman GONZALEZ. Thank you, sir.

Well, let me conclude by saying again what I said at the start, and that is that I do not have the words with which to thank you, and I have seen where you work and how you work, and admire you very much and thank you for that job, which is unperceived by the overwhelming preponderant majority of Americans. It is our hidden part of society.

And no nation, no matter how great, can long afford to ignore, even though it seems like it is a comparative small number, any more than it can afford in the dense metropolitan areas the continued existence of human beings on conditions that some Americans would not allow their animal pets without great protest and cries of inhumanity or cruelty.

But we are—and equally devastating to me, the visits to some of the camps, whether they were near here, an hour and a half away from the Capitol, or Texas or California or Kansas or Oklahoma, is the horrible, undescribable situations in the dense areas in the Bronx and Harlem and Philadelphia that I have been into.

I cannot see, as I told one Secretary of the Treasury just some 2 or 3 years ago, I just cannot see how our Nation can long endure basically healthy and strong and not expect to have the outbreaks

we see where you hear the charges of saying, people act like animals. Well, any human being, whether it is an American or an Indian or a European, if for whatever reason they are compelled to live worse than animals, how can we expect a human being?

And those of you that work on the cutting edge of this great society of ours are really to be commended, not only for the work that you do, but for the time that you have taken to go out of your way and come up here and help us, and we are deeply grateful to you.

And we will continue to be in communication with you, and I repeat that any suggestions you have of a specific nature as to wording or approach on our bill please don't hesitate to let us know. Sometimes there are good reasons why these vacuums are left in the law, and that is that ultimately the Congress cannot draft that detailed bill that is going to help exercise the judgment that a person out in the field himself or herself only really can in the last analysis make properly.

Thank you very much. If you have any further statement, why, feel free to say it. Otherwise, thank you very much.

The subcommittee will stand adjourned until tomorrow morning at 9:30 a.m.

[Whereupon, at 4:45 p.m., the subcommittee was adjourned, to reconvene at 9:30 a.m. on Wednesday, March 17, 1982.]

93-366 O—82——38

HOUSING AND URBAN-RURAL RECOVERY ACT OF 1982

WEDNESDAY, MARCH 17, 1982

House of Representatives,
Committee on Banking, Finance and Urban Affairs,
Subcommittee on Housing and Community Development,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:40 a.m., in room 2128, Rayburn House Office Building, Hon. Henry B. Gonzalez (chairman of the subcommittee) presiding.

Present: Representatives Gonzalez, St Germain, Fauntroy, Lundine, Garcia, Schumer, Frank, William J. Coyne, Stanton, Wylie, Roukema, Wortley, and McCollum.

Chairman Gonzalez. The subcommittee will come to order and we will resume the hearings on this Wednesday, March 17, St. Patrick's Day. And first let me express the gratitude of the committee and the staff to each and every one of the panelists here this morning for traveling many miles and being with us. You are spokesmen of some, if not all, of the key organizations of the cities and the counties and the places back home.

Last year the subcommittee had the most intensive set of hearings, because each year now—and this has been true for some 8 or 9 years—we must on an annual basis extend the fundamental assisted housing acts and some of the community development programs.

Last year, because of being overshadowed by the dilemma presented by the budgetary crisis, or exigency, and the unusual and I hope one-time-only processes in that budgetary endeavor in the congressional level known as reconciliation, the substantive legislative efforts not only on this committee but on every other committee were more or less displaced by deliberations and conferences, and especially conferences on figures, on computer-targeted figures, and not programs.

It was very, very demoralizing to me to sit there and argue about whether or not we could agree on the mandate of the Gramm-Latta substitute, which in turn mandated reconciliation, and talk in terms of $200 million, $300 million, less or more, on fundamental programs, basic policies that have been established by the Congress for decades, and not on the merits of those programs.

And to me it was disappointing, because I had had the privilege of serving on the local legislative level, on the State legislative level, and had always prided myself since coming to the Congress

for 20 years now that this was a superior way of doing things. And I have watched in great agony the last 8 years the so-called reform process actually legislating the Congress.

One of the products of the so-called reconciliation process was the great violence that was done to the procedures of deliberation of a great body such as this Congress and here last year it was agonizing to sit with a handful of my colleagues and just say with a little stroke of a pencil, well, this thing here ought to be $300 million, this one $200 million.

So, today we are gathered with a backdrop or an environment where your testimony is of invaluable service to those of us that are committed to the discharge of a national responsibility of forging national policies based on the urgent, and to us, arduous needs of the country, but against a backdrop of judgments and decisions that must also be made in calculating on an arithmetic or budgetary basis the continued support or abandonment of these policies.

This year, whether we have reconciliation or not, the Congress cannot escape the budgetary decisions. But the issues are more than just the numbers that are. This year the Congress must decide whether it abandons the Federal commitment to housing, going back to 1937. It happens, as one witness brought out yesterday, that this will be the 45th anniversary of the fundamental housing act or policy of this country this year, 1982.

I have a lot of faith in the legislative processes still. But it still means that those of us at this time attempting to discharge this heavy responsibility have no way to escape the policy decision. And this is why, with this backdrop at this time where we have confronting us as of February 8 an administration budgetary proposal that would zero out some of these fundamental programs and policies, greatly reduce others to the point of eventual phasing out, where the thrust of the administration's recommendations are that we dismantle the Federal apparatus in the name of a new federalism that would thrust upon the States and municipalities some burdens not now administratively resting on those shoulders, without any presentation to the Congress of consultation with those entities as to their ability to accept what the Congress or the Federal Government would thrust upon them.

This, done by an administration and a President who proudly trumpets the call of local and States rights, and would thrust willy-nilly the whole array of Federal programs of the most basic kind, without any respect for the States rights and for the local opinions and the opinions of the State officials.

This to me is an ironic twist in the defense of States rights, and I think clearly shows the real respect for so-called States rights that is revealed in this kind of activity. Therefore, your testimony today is especially welcomed. You are officials of municipalities of great importance. You are, as I said and repeat, representing the great array, the cluster of organizations that represent these entities, and therefore it is necessary that the record reflect this backdrop, this environment, at the time of your appearance before the subcommittee.

So, thank you again very much. And now that I have talked long enough to have the insured presence of the distinguished ranking

minority member—you know, in the House they are still the minority, on the House side. [Laughter.]

But he is all here, arrayed in green. I always thought "Stanton" was an English name, but it could be that the English borrowed from the Irish there. And it is a pleasure at this time to recognize Mr. Stanton, a very distinguished Member of the Congress, and one who has served on this committee almost as long as I have. I think I got here a little ahead of him to the Congress. I could be wrong in that.

But he has been an integral part in the forging of all the major legislation that has come out of this committee over the years. And without any further ado, we recognize the distinguished gentleman from Ohio, Mr. Stanton.

Mr. STANTON. Thank you very much, Mr. Chairman.

I do not in any way wish you to take my tardiness as anything personal. I truthfully was delayed for other reasons.

Seriously, though, we look forward to listening to the panel this morning and the continuation of these discussions, Mr. Chairman. And, I yield back the balance of my time.

Chairman GONZALEZ. Thank you very much.

Is there any other member of the panel who wishes to offer a short introductory statement?

[No response.]

Chairman GONZALEZ. Then, without any further ado, we will proceed. And is there any member of the panel that has any kind of a time constriction or emergency, a plane to catch or something, and would like to be recognized first?

[No response.]

Chairman GONZALEZ. If not, perhaps we can start by recognizing the mayor and the representative of the U.S. Conference of Mayors, Mayor Thomas.

So, Mayor Thomas, thank you.

STATEMENT OF HON. VINCENT J. THOMAS, MAYOR OF THE CITY OF NORFOLK

Mayor THOMAS. Thank you, Mr. Chairman and members of the subcommittee.

My name is Vincent J. Thomas and I am mayor of the city of Norfolk, Va., the largest city in Virginia and the capital of the U.S. Navy, and I am testifying today on behalf of my city and the U.S. Conference of Mayors, where I serve as chairman of the Subcommittee on Community Development.

Mr. Chairman, I spoke to my Congressman, the Honorable G. William Whitehurst, last Saturday. We were on the platform at the annual St. Patrick's Day Parade, and he spoke very highly of you.

I would like to present to the committee today the concerns of the Conference of Mayors in three major areas: the immediate needs of cities in view of recent budget cuts and program changes; two, our thoughts on H.R. 5731, introduced by the Chairman; and third, the effect of the administration's budget proposals for the next 2 fiscal years, fiscal years 1982 and 1983.

My first concern really deals with a great discrepancy that exists between the responsibilities for State and local governments and a

reduced capacity to deal with these responsibilities. The total cut in State and local assistance proposed by the President and enacted by Congress in February is nearly $50 billion. This decline from $105.8 billion in fiscal year 1981 to a projected level of $65.1 billion in fiscal year 1983 is a significant message to urban residents and businesses. It signals a reduced commitment to cities and an increased burden of responsibilities with fewer resources.

It seems that existing programs and existing funds, like those in the community development block grant, are expected now to be a kind of all-purpose remedy to a variety of social and economic problems that any livable city must deal with in order to stay solvent. And we have plenty to do with our community development funds.

Our alternative resources, unfortunately, seem to be limited to increased property taxes, sales taxes, layoffs and service cuts—not the kinds of alternatives that promote a mood of economic investment.

Last November the Conference of Mayors made a survey of 100 cities to review what kind of impact these budget cuts for fiscal year 1982 were really having on the local level. Sixty-one percent indicated a reduction in staff and services. In addition, we found that 41 percent of these communities were either planning to raise taxes or already had raised them to try and close the gap between programs and services.

Of course, where these kinds of cuts hit the hardest is in low and moderate income households. And it is the proposed reductions in housing assistance to these families that causes me the greatest concern.

I think historical evidence will show that it is critically important for the Federal Government to maintain a presence in the operation and production of public housing. This includes public housing operating subsidies as well as rental assistance and new unit production.

I feel very strongly that there has been—there certainly has been in my city—a 40-year-long Federal-local partnership, and a strong commitment to take care of the 4,000-plus public housing units that we have. They are in good condition and we must keep them in that kind of condition, because we are able to deliver good, clean livable rental housing at a total cost of just over $200 per month. I do not know where we are going to ever replace any housing at those kinds of costs.

The value of these programs must be recognized, along with community development block grants, if you expect cities collectively to respond to the economic challenges facing this country.

At this point I would like to submit for the record portions of the Conference of Mayors annual report, "The Federal Budget and the Cities." I want to emphasize that our defense of these programs is based upon our understanding of the effect that these proposals will have on our people. Mayors and my fellow councilmen represent the level of government closest to the people. I can tell you that from conversations with mayors around the country from both parties, there is genuine concern over the ability of local government or State government to serve legitimate needs in the face of proposed budget cutbacks at the federal level.

It is because of this concern that we congratulate you, Mr. Chairman, on your initiative in introducing H.R. 5731 as the Housing and Community Development Amendments of 1982. The terms of this bill are encouraging, because they recognize the need for continued funding of the CD and UDAG programs at authorized levels and especially because of the support it gives to public housing operating subsidies and modernization. It offers a broad-based comprehensive Federal housing strategy of the type we think is needed to address the housing supply and conservation of housing in the country.

The funding of units in the pipeline and the GNMA tandem financing program are basic to that production. As the mayor of one of the cities that just lost out in a recent lottery of the very limited GNMA funds, I can tell you how very few alternatives we have to that financing for units that we were dependent on.

To give you some idea of our statistical situation regarding rental housing, we are a very tight rental market, with under 3-percent vacancies now. We have 4,000-plus units of public housing and there is a waiting list of 3,000 applicants. The Navy estimates its current unmet housing needs at 5,000 units, and those are expected to grow because of increased defense expenditures to 16,000 units within 5 years.

So even though, without arguing the point of whether there is a national supply shortage or not, certainly it is quite clear in Norfolk, Va., that there is an ongoing supply shortage of housing.

We would like to suggest a few changes in the bill that could be considered. First, H.R. 5731 would provide budget authority for only 25,000 more units of existing section 8 housing assistance, while it authorizes up to 60,000 units for use in converting other units previously funded through other programs, the rent supplement 223(d)(3) and section 236.

There is a real unmet need for incremental section 8 existing units and not conversions. By adding 40,000 units instead of just 25,000, the subcommittee could increase by almost threefold the number of new households which could be assisted in fiscal year 1983. Overall, we would hope that the subcommittee would not adopt a budget that provides any less assistance to lower income people this year than Congress provided for HUD in its fiscal year 1982 appropriation. And we are also worried that the ultimate turnback funding levels under the President's New Federalism proposals will be based on the 1983 budget.

Too, we would also like to raise a concern over another small part of the bill which would permit local housing authorities to use public housing development funds to finance operating subsidies. We are unsure what the intent of this amendment is, but we continue to believe that operating subsidies for public housing are indeed a Federal responsibility, as well as an historic Federal commitment.

Congress should authorize and appropriate sufficient authority to operate this housing. If it is the intent of the amendment in the bill to provide operating subsidy funds in case appropriations are not sufficient in any one year, then we are concerned that the option is only available to those authorities with development authority which has not been committed already. This could mean

that authorities without development funds on hand could not secure sufficient operating subsidy funds when they needed them.

An alternative could be a national pool of funds convertible from development assistance, this would be a more equitable way to achieve this goal, although we continue to believe that this responsibility should be dealt with separately.

My other comments today involve observations rather than real changes. The Rental Housing Rehabilitation and Production Act of 1982 is a realistic part of the bill aimed at multifamily rental housing needs. We are particularly pleased by the central role the bill provides for local and State governments in the administration of the program, since increased involvement on this level is going to be absolutely essential if resources are to be allocated effectively.

In addition, this program targets funds where rental needs are the greatest and allows local governments to respond to local conditions.

Now, the Conference has also been working on a proposal for a housing block grant which is very similar in most respects to your proposal. Like your proposal, ours would provide short-term budget authority for capital assistance for housing development directly to local and State governments. And we also encourage the most flexible and highly leveraged use of these funds at the local level.

We have discussed this proposal with staff of the subcommittee and are very pleased to see so many points of agreement. Our proposals differ in that ours would provide an entitlement amount for eligible jurisdictions. Such a mechanism would have the advantage of permitting communities to plan their strategies over a period of time and with some reasonable certainty of funding levels. A drawback to such a system, of course, is that it requires a considerable amount of budget authority on a national level to ensure that sufficient funds are available for the programs to work.

The program in H.R. 5731 would make the entire effort a competitive one, which would ensure adequate funding for winning proposals and limit the program to those who actually want it, but create some uncertainty at the local level. We would suggest the subcommittee consider changing the proposal at least to provide a special priority ranking factor for proposals which would provide more than 20 percent of the units for low and moderate income persons.

We look forward to working with the subcommittee on this new initiative and we appreciate your interest in our comments. We have circulated H.R. 5731 to the entire Conference of Mayors Standing Committee on Community Development, Housing and Economic Development, and would like to reserve the right to provide you with further comments once we have heard from our members.

Overall, however, I would like to stress our belief that the subcommittee has presented a viable approach to helping sustain a multifamily rental market that meets many, if not all, of the criteria our members have set forth.

Mr. Chairman, I have already submitted an extension of these remarks for the record, and I have some other remarks to make about the 1983 budget. But perhaps my colleagues will bring up some of those matters and we can come back to them later.

Chairman GONZALEZ. We can do that later, or else what we can do, without any objection, is have our prepared statement submitted to us. Also, I believe you indicated you wanted "The Federal Budget and the Cities" Report included in the record. We can do that, right after the presentation that you made.

As I understood your presentation, it was a sort of summary.

Mayor THOMAS. Yes, sir. We also have a study of the Neighborhood strategy areas process to justify our contention that this program has made certain commitments that should be honored before the program is terminated. The localities have made certain commitments to these neighborhoods that should be honored.

[Mayor Thomas submitted the following material for inclusion in the record: A prepared statement on behalf of the U. S. Conference of Mayors; a conference report "The Federal Budget and the Cities"; and a paper of the conference "Section 8 Neighborhood Strategy Areas: Progress in Meeting Goals." Also submitted subsequent to the hearing was a letter, dated April 2, 1982, from Assistant Executive Director Barry Zigas, of the U.S. Conference of Mayors, to HUD General Deputy Assistant Secretary Philip Abrams, and a letter dated March 29, 1982, from Mayor Charles Royer of Seattle, Wash., to Congressman Mike Lowry. The material follows:]

STATEMENT OF THE HONORABLE VINCENT J. THOMAS

MAYOR OF THE CITY OF NORFOLK

Mr. Chairman, members of the Subcommittee, thank you for the opportunity to testify this morning. My name is Vincent J. Thomas. I am the Mayor of Norfolk, Virginia, and am testifying today on behalf of my city and the U.S. Conference of Mayors, where I serve as Chairman of the Community Development Subcommittee.

I would like to briefly present to you today the concerns of the Conference of Mayors in three major areas the pressing needs of America s cities, particularly in light of the massive budget cuts enacted last year; our thoughts on H R. 5731, introduced by Chairman Gonzalez; and special concerns for cities in the upcoming authorization and appropriations debates.

Since FY81, total grants to state and local governments have declined from $105.8 billion in the FY81 budget to a projected level of $65 1 billion in FY83 under the proposals forwarded by the President in early February. The total cut in state and local assistance enacted by Congress and proposed by the Administration is nearly $50 billion--a significant scaling back of the federal government's commitment to cities and to urban residents and businesses. Again, the Administration is demanding the cities assume new responsibilities out of existing programs--such as the Community Development Block Grant (CDBG) program--and with less overall resources. Further, the people who desperately need help from these federal programs are being told to look to local and state governments, which threatens to compound the human and budget problems facing cities. The result will be increases in property and other local taxes, additional layoffs and service cuts at the local level, as well as deferred maintenance of critical public infrastructure.

Last November, the Conference of Mayors conducted a 100-city survey to assess the impact that enacted budget cuts in FY82 were having on local governments. That report was presented to this Subcommittee in December. Briefly, we found that cities are in fact reeling from these cuts. Forty-one percent of the surveyed communities have already or shortly plan to raise local taxes to try to recoup losses in federal funds. Sixty-one percent indicated that they already have or plan to scale back staff and services in response to the cuts The outcome locally is the same--increased tax burdens through the most regressive possible means such as sales and property taxes, and decreased services to populations in genuine need.

The proposed reductions in housing assistance would hit cities especially hard. It is absolutely critical for the Congress to maintain adequate levels of assistance for low- and moderate-income housing. This includes sufficient funding for public housing operating subsidies, as well as new, incremental

assistance to help reduce rent burdens for those already paying too much of their income for housing. Finally, it is critical that the Congress maintain some presence in the area of multi-family rental housing.

The Community Development Block Grant and Urban Development Action Grant programs, along with an adequately funded housing assistance program for lower income people, must form an integral part of a social safety net that aims at assisting the most needy. The Administration's budget proposals, particularly in the area of housing, are a rejection of this basic premise. The Conference of Mayors urges this Congress and this Subcommittee to assume the initiative and forge a comprehensive approach to meeting the needs of people in our cities.

At this point, I would like to submit for the record portions of the Conference of Mayors annual report. The Federal Budget and the Cities. I want to emphasize that our concern for these programs is based on our understanding of the effect the Administration's proposals will have on people. Mayors represent the level of government closest to the people. Mayors from both parties have a genuine concern over the increasing inability of local government or state government to serve legitimate needs in the face of wholesale budget cutbacks at the federal level.

It is because of this deep-seated concern that we welcome, Mr. Chairman, your initiative in introducing H.R. 5731, the Housing and Community Development Amendments of 1982. The comprehensive nature of this bill is very encouraging. In general, the bill's broad outlines are consistent with U.S. Conference of Mayors policy.

The Conference strongly supports the continued funding of CDBG and UDAG at authorized levels additional authority for the Section 108 loan guarantee program: and an extended Section 312 rehabilitation loan program operated by using paybacks to the revolving loan fund. Full funding of the public housing operating subsidy system at $1.6 billion for FY83 is absolutely essential to guarantee the continued operation of this valuable resource, as is the modernization funding of at least $100 million. The Conference of Mayors supports a broad-based federal housing strategy that addresses all aspects of our current housing problems, and one which ensures that the current pipeline of Section 8 housing be cleared out quickly and as many units as possible brought to occupancy. Your proposals to continue the GNMA Tandem program and the Financing Adjustment Factor will help the cities reach that goal.

Let me spend a few moments on some areas where we would suggest changes in your bill. We are very concerned that the Congress not slacken its commitment to lower income housing in these difficult economic times. H.R. 5731 would provide budget authority for only 25,000 incremental units of Section 8 Existing Housing assistance. At the same time, the bill would authorize up to 60,000 units of Section 8 Existing Housing for use in converting other commitments funded in previous years through Rent Supplements and Section 236. This is a much higher level than in previous years. Particularly when resources are so scarce and the needs so great, we urge the Subcommittee to increase the number of units available for new, incremental assistance under Section 8 Existing Housing. By adding 40,000 units to Section 8 Exisitng in this way, the Subcommittee could increase by almost three-fold the number of new households which could be assisted in FY83. Overall, we would hope that the Subcommittee would not adopt a budget that provides any less assistance for lower income people this year than the Congress provided for HUD in its FY82 appropriation.

We would also like to raise a concern over another small part of the bill, which would permit local housing authorities to use public housing development funds to finance operating subsidies. We continue to believe that operating subsidies for public housing are and should remain a federal responsibility. Congress should authorize and appropriate sufficient authority to operate this housing. If the intent of the amendment in the bill is to provide operating subsidy funds in case appropriations are not sufficient in any one year, then we are concerned that the option apparently is only available to those authorities with development funds which have not been committed already. A national pool of funds convertible from development assistance might be a more equitable way to achieve this goal, although the Conference of Mayors has taken the position that this responsibility should be dealt with separately. The Conference of Mayors also urges the Subcommittee to include some assurance of local government involvement in this decision at the local level if this language is adopted.

The proposed Rental Housing Rehabilitation and Production Act of 1982 is an important and timely federal housing initiative. It is critical for the Congress to provide federal assistance for multifamily rental housing, especially in the absence of any Section 8 new construction or substantial rehabilitation authority. The central rcle the bill provides for local and state governments in the administration of the program is particularly appropriate. The increasingly scarce

resources for housing assistance demand greater involvement of local and state governments in their allocation. The Chairman's initiative in this regard is most perceptive and gratifying to us.

The U.S. Conference of Mayors has been working on a proposal for a housing "block" grant which is similar in most respects to the proposal in H.R. 5731. Like your proposal, ours would provide short-term budget authority for capital assistance for housing development directly to local and state governments. Like your proposal, ours would encourage the most flexible and highly leveraged use of the funds possible at the local level We have discussed this proposal with staff of the Subcommittee and are very pleased to see so many points of agreement Our proposals differ in that ours would provide an entitlement amount for eligible jurisdictions. Such a mechanism would have the advantage of permitting communities to plan their housing strategies over a period of time and with reasonable certainty of funding levels A drawback to such a system is that it requires a considerable amount of budget authority on a national level to ensure that sufficiently large amounts are available locally to undertake programs The program in H R. 5731 would make the entire effort a competitive one, which would assure adequate funding for winning proposals, but entail a large degree of uncertainty at the local level.

We would also suggest the Subcommittee consider changing the proposal at least to provide a special priority ranking factor for proposals which would provide more than 20 percent of the units for low- and moderate-income persons.

We look forward to working with the Subcommittee on this new initiative to see what other changes might be desirable from our point of view. We have circulated H R. 5731 to the entire Conference of Mayors Standing Committee on Community Development Housing, and Economic Development, and would like to reserve the right to provide you with further comments once we have heard from other members Overall, however, I would like to stress our belief that the Subcommittee has presented a viable approach to helping sustain a multifamily rental market that meets many, if not all, of the criteria our members have set forth.

Finally, Mr. Chairman, I would like to raise a few issues which are of particular concern to us. The first is the effect of the Administration's budget proposals in FY82 and FY83 on the ability of communities to complete a variety of program initiatives they undertook in previous years with the understanding that Section 8 funds for new construction or substantial

rehabilitation would be available. First and foremost among these is the Section 8 Neighborhood Strategy Area (NSA) program. Begun in FY79, this demonstration program provided local governments with allocation and preliminary processing authority over specific amounts of Section 8 Substantial Rehabilitation authority. The program was run as a national competition. All participating jurisdictions were required to develop a comprehensive five-year plan for a specific targetted neighborhood in which the units would be used. HUD, in turn, agreed to provide an agreed-upon number of Section 8 Sub Rehab reservations during the five-year demonstration period.

In January and February of 1982, the Conference of Mayors staff undertook a survey of all participating jurisdictions in the NSA program to find out how many Section 8 units these communities had expected to reserve in FY82 and FY83. I would like to submit the report of this survey for the record at this point. The survey revealed that 46 of the communities surveyed anticipated reserving a total of 4 249 Section 8 units in FY82, and 18 communities expected to reserve an additional 1,324 units in FY83.

HUD's budget proposals for FY82 and FY83 would cancel out the Section 8 program, and leave these communities high and dry. All of the participating jurisdictions were required as a condition of joining the demonstration to develop comprehensive CD plans for their areas. Many undertook significant investments in these areas in anticipation of the Section 8 reservations. HUD's regulations also required a high degree of citizen participation in the NSA process. Many communities negotiated agreements with neighborhood groups and citizens which they will be forced to break if the Section 8 units are not provided as promised. Many communities have worked closely with building owners and new developers, many of whom have invested their own funds in anticipation of participating in the Section 8 program. Their investments also will be lost if HUD has its way.

There are other, similar examples: communities which are under a court-ordered settlement to provide opportunities for lower income housing to comply with CDBG requirements and expected to fulfill these obligations using Section 8; communities under administrative settlements with HUD for the same reasons; communities which undertook CDBG investments to prepare for lower income housing simply as part of a comprehensive CDBG strategy; and communities which used Section 108 loan guarantee authority to purchase land for housing development some or all of which was intended for Section 8.

The Subcommittee must examine these "overhang" issues closely. If HUD has not provided any firm estimates of these overhangs to Congress to date, we urge you to request such an estimate to gauge the effect of the Administration's proposed termination of Section 8. We urge the Subcommittee to consider language which would require the Secretary to provide set aside sufficient authority to meet these commitments in FY82 and FY83. The Conference of Mayors and other state and local government groups have undertaken a survey of CDBG recipients in an attempt to gauge the magnitude of this overhang and will share the results with the Subcommittee when it is completed.

The Administration also has proposed a rescission of $100 million in the Section 108 loan guarantee program for FY82, and no additional funding in FY83. We are fully in support of H.R. 5731's provisions for additional authority in this program. The staff of the Conference of Mayors has undertaken a survey of all Section 108 participants to gather information about how these funds have been used, how many jobs they have retained or created and how many private dollars have been leveraged through the guarantees. We will forward the results of this survey to the Subcommittee as soon as it is completed.

Finally, the Conference of Mayors is extremely concerned about the Administration's proposals to raise tenants' rents in federally assisted housing through a variety of means in the FY83 budget proposal. One of these would count the value of food stamps as income. We would like to submit for the record an analysis of the impact of this change prepared by the Center for Budget and Policy Priorities, a group which is very familiar with the Food Stamp program. We are also opposed to the Administration's proposal that minimum rents in assisted housing be raised to include covering the cost of utilities. This would work a devastating hardship on tenants in older, poorly insulated structures, particularly in Northeast and Midwest.

Thank you again for the opportunity to share our views; I will be happy to answer any questions you may have.

THE FEDERAL BUDGET AND THE CITIES

A Review of the President's Budget
for Fiscal Year 1983
October 1, 1982 to September 30, 1983

FEBRUARY 1982

Prepared by
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COMMUNITY DEVELOPMENT AND HOUSING

COMMUNITY DEVELOPMENT

The proposed FY83 HUD budget would maintain funding for the Community Development Block Grant (CDBG) program and the Urban Development Action Grant (UDAG) program at the same levels as FY82 appropriations. However, this is $270 million below the FY83 level authorized by Congress for the two programs. HUD also proposes one new initiative, the Rental Rehabilitation Grants program, at a level of $150 million with an equal match required from local governments. This would replace entirely the Section 312 Rehabilitation Loan program. In addition, HUD proposes an extension of the Urban Homesteading program to include multifamily housing units. Specific details of these programs follow.

Community Development Block Grants

The FY83 budget proposes a total of $3.5 billion for Community Development Block Grant spending. CDBG would remain at this constant level for both FY82 and FY83--$238.6 million below the FY81 level. New legislation enacted in 1981 revised the method of CDBG fund distribution to provide a 70 percent-30 percent split for entitlement and nonentitlement categories, changed from 75-25 in prior years. In addition, there are now 732 entitlement cities and counties; in FY81 there were only 669. According to HUD, three-quarters of all entitlement amounts would be reduced between 10 percent and 17 percent from FY81 to FY82. There is no mention in the budget of additional entitlement cities and counties joining the program in FY83.

Urban Development Action Grants

The FY83 budget request for UDAG is $440 million, which is constant with the FY82 appropriation level, but reflects a $235 million reduction from FY81. HUD estimates that 350 grant agreements will be executed with this total in FY 83, and states that UDAG will leverage $4.8 billion in private investment with the $675 million appropriated in FY81.

Section 108 Loan Guarantees

The budget for FY83 would abolish the Section 108 Loan Guarantee program. In addition, there is a proposed rescission which would reduce the $225 million in available loan authority for FY82 to $125 million. This loan guarantee program is secured by current and future Community Development Block Grants and thus requires no budget authorization.

Urban Homesteading

The FY83 budget proposes an appropriation of $12 million for Urban Homesteading, $9 million of it to support 818 single-family properties. The balance of this request, $3 million, is planned to support a proposed multifamily demonstration of 15 buildings, averaging 30 units each, for a total of 450 units. The program uses federal funds to transfer HUD-FHA, Veterans Administration, and Farmers Home Administration properties to local governments for use in Urban Homesteading programs.

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<u>Section 312 Rehabilitation Loans</u>

The budget proposes to eliminate the Section 312 program in FY83. There was no appropriation requested in FY82; however, Congress ordered that $68 million in loan repayments be made available in FY82 to fund approximately 5,000 units. A new Rental Rehabilitation Grants program is proposed to replace Section 312. HUD requests a transfer of the assets and liabilities of the Section 312 program to the Revolving Fund for liquidating programs.

<u>Rental Rehabilitation Grants</u>

The FY83 budget proposes an appropriation of $150 million to implement the new Rental Rehabilitation Grants program. This program is designed to provide assistance to local and state governments for rehabilitation of small rental properties in certain market areas where there is a lack of available standard existing housing. According to HUD, this new program would be targeted to neighborhoods with low vacancy rates and dilapidated housing which is available for rehabilitation, and would be available for both single and multifamily properties. Also, special allocations of Modified Section 8 Certificates (vouchers) would be made available in conjunction with this program. (See the Housing section of this analysis for more details.) However, Rental Rehabilitation Grant funds could not finance more than 50 percent of the cost of individual projects. Local governments would have to match these funds from either private or public sources. With the $150 million match from local governments, the program is designed to support the rehabilitation of an estimated 30,000 rental units at an average federal cost of $5,000 per unit for an estimated total $300 million rehabilitation program.

Rental rehabilitation funds would be used to subsidize rehabilitation of properties for rental at competitive market rates in the area. Communities would be free to coordinate these funds with CDBG funds and would have wide discretion in determining the type and level of subsidy. The program would replace the Section 312 Rehabilitation Loan program and the Section 8 Moderate Rehabilitation program.

<u>Policy Development and Research</u>

The Department is requesting a $20 million appropriation for its Policy Development and Research activities. This request remains at the FY82 level, although it reflects a decrease of $19.7 million from FY81. The program will continue to emphasize the improvement of the operation of the Department's programs.

<u>Housing Counseling</u>

The FY83 budget proposes no additional funds for Housing Counseling Assistance. However, the Department would continue to certify and/or recertify local public and private nonprofit agencies which provide HUD-approved housing counseling, although it would not contribute to the cost of providing these services. The FY82 appropriation is $3.5 million, almost 50 percent less than FY81.

Neighborhood Reinvestment Corporation

The Administration is seeking $15.5 million for the Neighborhood Reinvestment Corporation, an increase of $1.6 million over the FY82 appropriations level. This independent agency fosters the development of Neighborhood Housing Services programs and also supports neighborhood preservation projects and provides neighborhood program support. The proposed activities for FY83 are directed more toward neighborhood program support, with less emphasis on neighborhood housing services.

SUMMARY

While CDBG funding would remain constant in the FY83 budget, city officials need to be aware that the Administration is offering CDBG as the one program to replace many others, as it did in FY82. All the programs of the Economic Development Administration (EDA), plus programs such as Section 108 Loan Guarantees, Section 312 Rehabilitation Loans, 701 Planning Assistance, Neighborhood Self-Help Development, and a number of others are now supposed to be supported with CDBG funds, according to the Administration's budget materials.

The average CDBG appropriation over the past four years, FY79-82, was $3.7 billion. Without taking inflation into consideration, the FY83 proposal of $3.5 billion is nearly 6 percent less.

In addition, with the new fund distribution using a 70-30 percent split for entitlement and non-entitlement (Small Cities) categories, and with the increase in entitlement cities and counties from 669 to 732, three-fourths of all entitlement amounts will be reduced between 10 percent and 17 percent from FY81 to FY82.

In FY83, local governments should expect further changes in their grant amounts because of the impact of 1980 Census figures. Population totals were considered in calculating FY82 grant amounts, but in FY83 all other demographic changes will be considered for the first time.

For the Small Cities program, beginning in 1982, states have the option of awarding and administering grants. For those Small Cities programs in states that do not select this option, distribution will remain the responsibility of HUD. In those Small Cities programs where states select to distribute the funds, there is no guarantee covering how the funds will be distributed. States may choose to allocate the funds according to any formula they desire.

In UDAG, the average annual appropriation between FY79 and FY82 was $570 million, nearly 30 percent higher than the $440 million now proposed for FY83. In addition, because of the proposed elimination of EDA and other economic development activities, these funds, too, will have to be stretched further.

The level of the FY83 appropriations takes on added significance because this level will be part of the baseline amount for the new "super" block grant to the states, as proposed by President Reagan in his State of the Union address. CDBG and UDAG are among those programs that would be turned over to the states.

COMMUNITY DEVELOPMENT PROGRAMS
(dollars in millions)

	FY79 ACTUAL	FY80 ACTUAL	FY81 ACTUAL	FY82	FY83 PROPOSED
Community Development Block Grants					
Appropriations	$3,750.0	$3,752.4	$3,694.6	$3,456.0	$3,456.0
Section 108 (CDBG Loan Guarantees)					
Loan Authority Available	31.3	200.0	300.0	225.0 125.0[a]	---
Urban Development Action Grants					
Appropriations	518.5	646.4	675.0	440.1[b]	440.0
Urban Homesteading					
Properties Conveyed:					
Single Family (1-4 units)					
Number	950	790	1,105	1,760	818
Amount	$7.2	$7.5	$10.6	$16.4	$9.0
Multifamily (over 4 units)					
Number	NA	NA	---	---	15
Amount	NA	NA	---	---	$3.0
Appropriations	---	---	---	---	$12.0
Section 312					
Appropriations	$231.8	$135.0	$ 5.6	---	---
Loan Reservations	$233.9	$203.2	$84.5	$68.0[c]	---
Rental Rehabilitation Grants					
Number of dwelling units	NA	NA	NA	NA	30,000
Appropriation	NA	NA	NA	NA	$150.0[d]

[a] For FY82, the Congress enacted a $225 million limitation on the amount of loan guarantee commitments; however, HUD proposes this be reduced to $125 million for FY82 and no commitments for FY83.

[b] $435.1 million is the amount appropriated for FY82 plus a $5 million carryover available which brings the total UDAG budget authority to $440.1 million for FY82.

[c] This $68 million is the amount estimated by HUD that will be used to fund approximately 5000 units in FY82. The funding will be available through use of loan repayments.

[d] This $150 million must be matched on a local level with either public or private funds.

Source: FY83 Budget, U.S. Department of Housing and Urban Development, Summary, February 1982.

House Appropriations Subcommittee on HUD-Independent Agencies Staff, February 5, 1982.

HOUSING

The Administration's proposed FY83 budget for housing contains several major elements. First, the Administration is proposing to amend substantially the use of funds already approved in Appropriations Acts for FY82. It also proposes a substantial FY82 rescission. In FY82 and FY83, the budget shifts federal housing efforts almost exclusively into assistance to tenants in existing housing. All activities in FY83 will be financed through recaptures of authority from prior years, and a substantial rescission of authority is also requested. This FY83 budget marks the first time any Administration has sought no substantial increase in the total number of households assisted through federal housing subsidies. Instead, the budget focuses attention on shifting the subsidies already provided tenants from one program approach to another. Each of these elements is discussed in detail below.

FY82 Proposals

Funding Levels

The FY82 appropriation for HUD provides $17.3 billion in new budget authority for housing programs. These funds were estimated by Congress to provide sufficient authority to finance reservations for about 143,000 units of subsidized housing through a variety of means. In addition, HUD estimates it will recapture $7.4 billion from prior years because of projects which will not be completed, and another $2.7 billion in carryover funds from previous years. In all, the Department estimates it will have available from all sources $27.6 billion in budget authority in FY82. However, the FY83 budget proposes to use only $18.3 billion of this total and to rescind the remaining $9.3 billion, or 33 percent of the total.

Of the $18.3 billion available in FY82 after the rescission, $1.4 billion is slated for transfer to the Federal Financing Bank (FFB) for use in the sale of outstanding public housing notes. These funds will produce no additional units. After subtracting the transfer to the FFB, HUD estimates a balance of $16.9 billion for use in new obligations in FY82.

Section 8 Housing

The FY83 budget proposes to redirect substantially the use of budget authority in FY82 away from a mix of assistance to new, rehabilitated, and existing housing units to an almost exclusive reliance on existing housing units. Further the Department proposes to reduce significantly the number of additional households receiving assistance in FY82, emphasizing instead the use of Section 8 Existing Housing subsidies to roll over other expiring commitments from previous years, or to terminate other forms of assistance and replace the subsidies with Section 8 Existing Housing Certificates.

The Department proposes 16,933 new unit reservations in the Section 202 program for the elderly and handicapped, all subsidized by Section 8 new construction payments, and only 5,569 other Section 8 new construction/substantial rehabilitation units, for a total of 22,502 units. This is about one-half the total of 43,935 units for the Section 8 new construction/substantial program assumed by Congress in the FY82 HUD appropriation. (See Table 2 for a comparison of the FY82 appropriations amounts and HUD's FY83 budget proposals.)

HUD proposes 10,720 units for the Section 8 Moderate Rehabilitation program in FY82, down about 43 percent from the FY82 appropriation figures.

In the Section 8 Existing Housing program, HUD proposes to make available 186,385 units, or more than three times the total for this program in the FY82 HUD appropriation. Of this total, only 3,385 units would be made available to households not now covered under some other form of housing assistance. The remaining Section 8 Existing Housing Certificates are budgeted for the following uses:

- 173,000 units to convert existing commitments under the Rent Supplement and Section 236 Rental Assistance programs to Section 8 during FY82-84.

- 5,000 units to convert units now subsidized under the Section 23 Leased Housing Assistance program.

- 5,000 units to supplement payments in financially troubled HUD-subsidized properties.

The scope of the federally-assisted housing effort would be further reduced in the FY82 budget through the effect of HUD's proposed recaptures and rescissions of prior years' budget authority. These recaptures and rescissions would mean that units committed in prior years would not now move to completion, thereby reducing the total number of units assisted by HUD. At this time, the Department has no firm estimate of how many units will fall out of the system through these recaptures.

Public Housing

The budget proposes reducing the Department's unit reservations under the conventional low-rent public housing development program to 310 units, down from the 24,000 estimated in HUD's FY82 appropriation. This would effectively shut down the public housing development process for the future, although commitments made in prior years could continue to proceed and come on line in future years.

The Department's budget also proposes to allow local public housing agencies now holding new construction commitments to choose at their option to convert these to modernization funding contracts. This would mean a substantial reduction in future outlays for HUD, since contracts for modernization run for 20 years, half the length of commitment for new construction. There is no estimate of how many units now committed for new construction could be terminated and converted to modernization of existing units through this option. However, the budget assumes that $1 billion of the $1.8 billion in budget authority available for modernization in FY82 would come from "normal" recaptures of public housing development funds, that $300 million would come from funds deferred in FY81, and that $500 million would come through public housing agencies exercising the option to convert development commitments to modernization funding. This $500 million figure assumes a total development budget authority of $1 billion being converted, since there is a 50 percent reduction in authority through use of the option. Using HUD's FY81 figures for public housing development costs, this could mean the loss of almost 8,000 units approved in prior years for construction.

. The total provided for public housing operating subsidies in FY82 is $1.2 billion, the amount assumed in the FY82 appropriation. An additional $140 million will be made available during FY82 as a supplemental payment for FY81 operating costs.

FY83 Proposals

Funding Levels

The FY83 budget proposal requests no additional authority for federally assisted housing. It is proposed, instead, that the entire year's operations are to be financed out of recaptures of budget authority through the cancellation or expiration of reservations made in previous years. The budget assumes that HUD will recapture a total of $9.9 billion in such authority in FY83, and proposes a program which would use $7.5 billion of this total. The remaining $2.4 billion would be rescinded.

Section 8 Housing

The only Section 8 new construction/substantial rehabilitation reservations proposed in the FY83 budget are for 10,000 units of Section 202 housing for the elderly and handicapped. All other assistance in the FY83 budget is proposed through use of existing housing units.

A total of 5,000 units of Section 8 Existing Housing Certificates is proposed for use in converting Section 23 commitments to Section 8. The remaining balance of 106,615 units to be provided in FY83 would be offered through a new "Modified" Section 8 Existing Housing Certificate.

Modified Section 8 Existing Housing Certificates

The Department is proposing to modify the Section 8 Existing Housing program in FY83. Under current law, HUD pays the difference between 30 percent of a tenant's income and the Contract Rent agreed upon by HUD (or its local agent, the public housing authority) and the unit owner. This Contract Rent must be equal to or lower than a Fair Market Rent computed for the unit type in that market area by HUD economists. Tenants in the program are not permitted to pay more than 30 percent of their income for rent, nor is there any incentive to the tenants to find less costly shelter, since their payments remain the same -- 30 percent of income -- regardless of the rent.

Under the Modified Section 8 Existing Housing Certificate proposed in the FY83 budget, HUD's contribution would be based on the difference between an established rent payment standard for each market and 30 percent of a new tenant's rent. (Tenants already subsidized under other programs are treated differently, as explained below.) The rent standard would be set at the 40th percentile of the distribution of all rents for all rented units of standard quality, excluding new units. Tenant eligibility would be based on an income standard of 50 percent of area median income. Tenants who were already subsidized under some other program prior to FY82 were required to pay only 25 percent of their income toward the rent. These tenants would be shifted in stages to the higher payment standard of 30 percent authorized in the Housing and Community Development Amendments of 1981. This would occur whether they are shifted from the old programs to the new Modified Certificates or remain in the old programs. By FY86, all tenants would be paying the 30 percent of income standard or the minimum rent prescribed in the 1981 Amendments.

Under the Modified Certificate program, tenants would be able to pay more or less than 30 percent of their income for rent. However, HUD's contribution would be based on a 30 percent of income contribution. Thus, if a tenant finds a unit which is cheaper than HUD's rent standard, that tenant would be able to keep some of the subsidy for other uses. Conversely, if a tenant rents a unit which is more costly than the rent standard HUD uses, that tenant would have to contribute more than 30 percent of income to make up the rent payment. HUD estimates that payments under the Modified Certificates will average $2,000 per year per unit across the country. Currently, HUD budgets about $3,200 per year for Section 8 Existing, but this includes no consideration for tenant contributions and is based on a 15-year contract commitment. Modified Certificates would have a flat contribution for the tenants for five years, with no commitment for additional subsidies for those tenants after the fifth year, although such tenants would be eligible to apply for additional subsidy commitments if they still qualify for assistance. HUD plans to use the Modified Certificates in the following ways in FY83:

- 30,000 Certificates in conjunction with the Rental Rehabilitation Initiative proposed by HUD for FY83 (see the Community Development section of this analysis for more details on this program).
- 60,615 Certificates to convert current Section 8 Existing Housing commitments to the new Modified Certificates.
- 10,000 Certificates for use in conjunction with the sale of HUD-owned properties.
- 5,000 Certificates to tenants of existing public housing units which are demolished, abandoned or sold by public housing agencies with HUD's permission.
- 1,000 Certificates for tenants in properties with Section 8 New Construction or Substantial Rehabilitation commitments from prior years, where the owners opt not to renew their five-year Section 8 contracts.

Public Housing

The FY83 budget proposes no additional authority for public housing development. As in FY82, local housing authorities would be offered the option of converting existing commitments for new construction to use in modernization. The budget estimates that $1.3 billion would be recaptured through this option, and another $500 million in budget authority would be recaptured through other means, to yield a total of $1.8 billion in authority for modernization under the Comprehensive Improvement Program. The $1.3 billion HUD anticipates making available for modernization means that a total of $2.6 billion in development funds would be recaptured (since only 50 percent of the recaptured funds would be put back out for modernization). Using HUD's FY81 cost estimates, this would mean the loss of almost 21,000 units of newly constructed public housing approved in previous years.

Public housing operating subsidies are projected at $1.07 billion for FY83.

The FY83 budget also proposes the transfer of $1.4 billion to the Federal Financing Bank for financing outstanding public housing notes. This would not produce any additional subsidized units.

SUMMARY

The HUD FY83 budget proposals would reduce federal housing assistance substantially from levels of recent years. During FY79-81, the average number of units reserved under the various assistance programs was 261,989. The FY82 level proposed in the FY83 budget is 16 percent below this average. However, this figure underestimates the actual difference, since all but a small proportion of the assistance proposed for FY82 is for rolling over existing subsidy commitments, not adding to the stock of assisted units. In previous years, HUD has proposed some portion of the assistance for use in HUD-held properties, or in rolling over pre-existing commitments. Thus, precise comparisons are difficult. The 16 percent figure is a useful benchmark as the most generous comparison that can be made. The Department's FY83 budget shows an even steeper decline: 53.6 percent below the FY79-81 average level. Again, the FY83 budget proposes only 40,000 units of incremental assistance to add to the stock of total federally assisted housing units.

The FY83 budget states that federally assisted housing units at the end of FY81 totaled 3.4 million. By the end of FY85, the budget states, this would increase to 3.8 million units. However, the budget also notes that at the end of FY81, 700,000 additional units were either under construction or were in processing. Were HUD to have maintained its current stock and have seen all these units through to completion, the total federally assisted inventory would have risen to 4.1 million units without additional commitments in FY82 or beyond. Thus, by FY85, HUD's proposals would have the effect of reducing by 300,000 units the total federally assisted housing inventory already committed prior to FY82.

The HUD FY83 housing budget marks a total break with the last four decades of federal housing policy by requesting no additional funds for financing federally assisted housing for low and moderate-income persons in FY83. Instead, the budget contemplates terminating commitments made in prior years and using only a portion of this recaptured assistance to provide subsidies for low- and moderate-income persons. In addition, the budget proposes three more changes that would increase tenants' rent requirements in HUD assisted housing and reduce the federal contribution accordingly:

- HUD proposes to alter the way it calculates tenant income for assisted housing to include food stamps as income.

- HUD proposes to increase the limitation on annual increases in rent to 20 percent from the current 10 percent limitation. This would accelerate the change from tenant rent contributions of 25 percent of income to the newly established 30 percent of income standard, and would affect all tenants receiving assistance prior to FY82.

- HUD proposes legislation setting minimum rents to cover at least the cost of utilities. Current law states that tenants shall pay higher of ten percent of gross income, 30 percent of adjusted income, or the shelter portion of a welfare payment. HUD's proposed change could mean substantial increases in tenant payments in areas with high utility costs and/or energy inefficient housing units.

Table 1 provides a comparison of assisted housing levels from FY79 to FY83, including FY82 estimates based on the HUD appropriation for FY82. Table 2 provides a comparison of the changes to FY82 levels that the FY83 budget is proposing.

TABLE 1

COMPARISON TABLE -- FEDERAL HOUSING PROGRAM LEVELS FY79-83
(dollars in millions)

	FY79	FY80	FY81	FY82[f]	PROPOSED FY83
Section 8[a]					
New Construction/Substantial Rehabilitation Units	145,038	115,198	73,861	43,935	10,000[d]
Moderate Rehabilitation Units	34,294	40,000	24,981	18,909	---
Existing Housing Units	90,374	47,022	85,289	55,387	5,000[e]
Modified Existing Housing Units	---	---	---	---	106,615
Public Housing Units[a]	55,368	38,172	36,370	24,000	---
Public Housing Modernization	$50	$50	$50	$90	$90
Public Housing Operating Subsidies	$727	$794,100	$1,200[b]	$1,152	$1,075
Section 202 Units[c]	22,525	20,440	15,166	17,200	10,000
TOTAL UNIT RESERVATION, ALL PROGRAMS	325,074	240,392	220,501	142,231	121,615

[a]Number of Unit Reservations estimated by HUD to be available from appropriated funds.

[b]Includes supplemental appropriations approved December 1981.

[c]All Sec. 202 units are subsidized through Sec. 8, and are included in the totals for Sec. 8 new construction/sub. rehabs.

[d]All units under this category will be made available through the Sec. 202 program for the elderly and handicapped.

[e]All these commitments will be made to replace current Sec. 23 contracts.

[f]Based on amounts appropriated for HUD in FY82, P.L. 97-101.

Source: FY83 Budget Summary, HUD, February, 1982.
Senate Appropriations Subcommittee for HUD-Independent Agencies, Staf
FY81 Budget Summary, HUD, January, 1980.

TABLE 2

COMPARISON TABLE, FY82-83 FEDERALLY ASSISTED HOUSING LEVELS
(dollars in millions)

	FY82 APPROPRIATION[a]	PROPOSED FY82	PROPOSED FY83
SECTION 8			
New Construction/Sub Rehab	43,935 units	22,502 units	10,000 units[d]
Moderate Rehabilitation	18,909	10,720	---
Existing Housing	55,387	186,385[b]	5,000[e]
Modified Certificates	---	---	106,615[f]
PUBLIC HOUSING	24,000	310	---
PUBLIC HOUSING MODERNIZATION	$90	$90	$90
PUBLIC HOUSING OPERATING SUBSIDIES	1,152	1,152	1,075
SECTION 202[c]	17,200 units	16,933 units	10,000 units
TOTAL UNIT RESERVATIONS, ALL PROGRAMS	142,231	219,917	121,615

[a] Assumptions included in HUD FY82 Appropriation Act, P.L. 97-101.

[b] Only 3,385 of these commitments are proposed for additional subsidy units not already covered by some other subsidy. The remainder are proposed for use in conversions from other programs, such as Sec. 236, Rent Supplement, and the like.

[c] All Sec. 202 units are also counted in the total for "Section 8: New Construction."

[d] Proposed exclusively for use with Sec. 202 projects.

[e] For use in converting pre-existing Sec. 23 commitments.

[f] Includes 30,000 certificates for use with Rental Rehabilitation Initiative.

Source: FY83 Budget Summary, HUD, February, 1982.
Senate Appropriations Subcommittee for HUD-Independent Agencies Staff.

SECTION 8 NEIGHBORHOOD STRATEGY AREAS:

Progress in Meeting Goals

An Assessment of Unmet Needs for Substantial Rehabilitation

During January and February, 1982, the U.S. Conference of Mayors undertook a survey of all communities participating in the Section 8 Neighborhood Strategy Area (NSA) program. The purpose of the survey was to assess communities' progress in meeting stated goals in the program, and to assess needs for Section 8 substantial rehabilitation subsidy assistance to complete projects undertaken in earlier years after receiving HUD commitments to provide Section 8 funds sufficient to complete the approved projects.

The Section 8 NSA program is a five-year demonstration effort, currently entering its fourth year. The program was designed to provide local governments with special procedures for securing and processing proposals for Section 8 Substantial Rehabilitation assistance in conjunction with concentrated community development activities to revitalize target areas. The Section 8 NSA program placed full responsibility for soliciting, preparing, and completing initial processing on Section 8 assistance applications in the hands of local government for the first time.

Participants in the Section 8 NSA program were chosen after a national competition. Awards were made on the basis of comprehensive applications submitted by local governments in response to a federal invitation to seek designation.

Survey forms were sent to 100 communities participating in the Section 8 NSA program A total of 93 survey forms were returned One of the communities which responded to the survey has chosen to withdraw from the program, and thus is not included in the totals calculated in this report. The following sections summarize the findings of the survey; a copy of the original survey questionnaire is attached as Appendix I.

SUMMARY OF THE SURVEY RESULTS

Original Allocations

HUD originally scheduled a total of 34,000 Section 8 Substantial Rehabilitation unit reservations in the Section 8 NSA program after designation awards had been made. The total number of units accounted for in scheduled allocations to communities responding to the survey was 25,053, or about 74 percent of the total scheduled allocation.

Number of completed surveys	93
Number of total scheduled unit reservations	34,000
Number of total scheduled unit reservations represented by survey sample	25,053
Percent of total scheduled reservations represented by sample	74

Adjustments to Allocations

Communities were asked in the survey whether they were still working with the same number of units originally allocated to them in the Section 8 NSA designation. Forty-four of the communities said they were. Another 49 communities indicated some change had occurred, with a majority indicating they had scaled down their scheduled allocation of units during the course of the program.

Number of communities working with original allocation	44
Number of communities with adjusted allocations	49
Number of communities with increased allocations	(14)
Number of communities with reduced allocations	(35)

Progress in Using Section 8 Allocations

The communities responding to the survey indicated that a total of 7,019 units of Section 8 Substantial Rehabilitation housing have been completed and occupied through the NSA program to this date, or 28 percent of the total allocations represented. Another 682 units have been completed and are awaiting occupancy. A total of 3,119 units are presently under construction.

Eleven communities in the survey have completely finished their NSA effort, while a total of 10 communities are approaching the completion of their scheduled program. Five communities are half completed and 48 others said they have completed less than half their scheduled program. A total of 18 communities have yet to begin any construction in the program at this time.

Communities who have fully completed NSA	11
Communities approaching completion	10
Communities at the half-way mark	5
Communities with less than half completed	48
Communities which have not begun any construction	18

Number of Section 8 units completed to date	7,701
Number of Section 8 units completed and occupied	(7,019)
Number of Section 8 units completed & awaiting occupancy	(682)
Number of Section 8 units under construction	3,117

Future Reservations Needed to Complete NSA Programs

During FY82, 46 communities expected to bring an additional 4,249 Section 8 Substantial Rehabilitation units under reservation through the NSA program. In FY83, 18 communities expected to bring 1,324 units under reservation. Fifty-five communities reported they expected to be able to complete these obligations, provided subsidy funds continued to be available from the federal government. A total of 19 communities indicated that financing problems brought about by current high interest rates might jeopardize their ability to complete their programs. An additional 19 communities either didn't answer this question in the survey or marked it "not applicable."

	FY82	FY83
Units expected to be brought under reservation	4,249	1,324
Number of communities expecting further reservations	46	18
Number of communities expecting to complete obligations	55	
Number of communities who feel financing problems may jeopardize completion	19	
Number of communities not responding	19	

Further, a majority of the communities surveyed indicated that they could use a greater number of Section 8 units than originally allocated to completely meet all the needs in their target areas. The total number of units cited by those who gave precise estimates of the unmet needs added up to 13,982 units.

Communities also were asked to indicate the most pressing needs they faced in completing their Section 8 NSA obligations, and the overwhelming majority indicated that affordable financing for their units was the most pressing need.

Rating the Section 8 Program

Among the surveyed communities, 56 gave the Section 8 NSA program a very high rating, while 22 communities rated it a moderate success and 13 communities gave it low ratings. There was a high correlation between ability to complete scheduled Section 8 unit reservations and high ratings for the program. Among those who cited difficulties in the program and gave it a lower rating, high interest rates, unpredictable financing, strict HUD-FAA regulations and lengthy HUD processing delays were cited most often as the causes of frustration at the local level.

CENTER ON BUDGET AND POLICY PRIORITIES

236 Massachusetts Avenue, N.E. Suite 305
Washington, D.C. 20002
202-544-0591

RAISING RENTS FOR FAMILIES RECEIVING HOUSING ASSISTANCE IF THE FAMILIES ALSO GET FOOD STAMPS

Families who receive federal rent subsidies now pay 25% of their incomes for rent, with the government paying the remainder. Last year's Reconciliation Act required that rents be raised from 25% to 30% of income over the next five years. Now the Administration is proposing to raise rents much further. Instead of paying 25%-30% of income for rent, ow-income families would now have to pay 25%-30% of the combined total of their income plus their food stamps.

The resulting increases in rents would be dramatic. Rent increases of 25%-50% would be widespread. For some poor families, rents would more than double. (Under the Administration proposal, rent increases of this magnitude would be spread over more than one year -- but eventually the full increase would be put into effect).

The two groups primarily affected by this proposal would be the elderly, and female-headed households with children. A 1981 USDA study found that these two groups comprise over 85% of al households who participate in both food stamp and housing programs and who would have their rents increased. Most of the elderly households who would be affected are elderly women living alone.

In addition, most of the households who would have their rents raised are extremely poor. The USDA study reported that over 80% have incomes below $5,000 a year and about half have incomes below $3,000 a year.

AFDC mothers and children in the South -- one of the poorest groups of people anywhere in the United States -- would suffer particular hardship. Because welfare payments are so low in the South ($96 a month, or 16% of the poverty line for a family of three in Mississippi; $116 a month in Texas), food stamp benefits are large. If rents are raised $25-$30 a month for every $100 in food stamps, then rents for many southern AFDC families will double or triple over coming years. The AFDC mother n Mississippi who receives $96 a month in welfare payments, for example, would have her rent raised over the next several years from $25 to nearly $96 a month. Virtually her entire AFDC check would have to go for rent, and she would be eft with little or no cash for clothing for her children, transportation, or other expenses.

Some poor families would probably feel they had no choice but to move out of subsidized housing and live in cheap substandard housing -- so that they can clothe their children and meet other needs -- or to drop out of the food stamp program so that they can afford to pay the rent.

BCC: C. Simon

THE 50th YEAR
LEADERSHIP FOR URBAN AMERICA

1932 - 1982

April 2, 1982

Honorable Philip Abrams
General Deputy Assistant Secretary--
Deputy Federal Housing Commissioner
Department of Housing & Urban Development
451 7th Street S.W. - Room 9100
Washington D.C. 20410

Dear Mr. Abrams:

As you suggested at the hearing yesterday, I have enclosed the following materials:

- A copy of the telegram sent by Secretary Harris informing the City of Stamford, Connecticut of its selection as a Section 8 NSA city.
- A copy of the November 3, 1978, letter to Mayor Clapes of Stamford from the HUD Area Manager in Boston confirming the original approval and outlining the agreement entered into.
- Copies of correspondence between Mayor Clapes and Assistant Secretary Winn concerning HUD's intentions to complete the program as agreed to in the original commitment letter.

The U S. Conference of Mayors continues to believe that HUD undertook a binding commitment to participating NSA cities when it invited applications to participate under 24 CFR 881 Subpart G. I hope your review of these materials will lead you to a similar conclusion. Please call me at 293-7330 if I can be of further assistance in this matter.

Sincerely,

Barry Zigas
Assistant Executive
Director

Encls.

UNITED STATES CONFERENCE OF MAYORS
1620 EYE STREET, NORTHWEST • WASHINGTON, D.C. 20006 • (202) 293-7330

93-366 O—82——40

1-0541020282009 10/09/78 ICS WA12159 NVNA
00469 MLTN VA 10/09/78

Fil USA - APPROVED
NSD CONTRACT

RECEIVED
OCT 11 1978
MAYOR'S OFFICE

HON. LOUIS A. CLAPES INSERT #1 360
429 ATLANTIC STREET INSERT #2 65
STAMFORD, CT. 06904

10/6/78
CONGRATULATIONS. I AM PLEASED TO ANNOUNCE APPROVAL OF YOUR REQUEST FOR NEIGHBORHOOD STRATEGY AREA DESIGNATION. MAY I EXTEND TO YOU THIS DEPARTMENT'S FULL SUPPORT IN MAKING THIS ENDEAVOR A COMPLETE SUCCESS. TO THAT END, WE OFFER YOU EVERY POSSIBLE ASSISTANCE IN COMING MONTHS TO ASSURE ACHIEVEMENT OF YOUR FIRST YEAR GOALS.

UNDER THE TERMS OF THIS APPROVAL, WE ARE DESIGNATING A TOTAL OF (INSERT #1 360) SECTION 8 SUBSTANTIAL REHABILITATION UNITS FOR THIS NEIGHBORHOOD STRATEGY AREA, (INSERT #2 65) OF WHICH COME FROM A SPECIAL NSA SET-ASIDE FOR THE FISCAL YEAR 1979 AND THE BALANCE FROM PROSPECTIVE FAIR SHARE FUNDING IN FUTURE YEARS. YOUR FUNDING FOR FY 1979 IS CONTINGENT UPON ENACTMENT OF NOW PENDING APPROPRIATIONS LEGISLATION AND YOUR FUNDING IN FUTURE YEARS IS, AS ALWAYS, CONTINGENT ON APPROPRIATE CONGRESSIONAL ACTION AND THE AVAILABILITY OF FUNDS.

IN ADDITION, NO PROPOSALS FOR SECTION 8 ASSISTANCE WILL BE ACCEPTED FOR PROCESSING UNTIL THE LOCAL GOVERNMENT RECEIVES AND ACCEPTS A NOTIFICATION LETTER FROM THE FIELD OFFICE WHICH SPECIFIES THE TERMS AND CONDITIONS OF THIS AWARD. THE NOTIFICATION LETTER WILL BE TRANSMITTED TO YOU ON OR AFTER OCTOBER 15, 1978.

/S/
PATRICIA ROBERTS HARRIS
SECRETARY
DEPARTMENT OF HOUSING AND URBAN

DEVELOPMENT

(ANS RUEVDFM 0-24-01-004815)
2031 EST

MGMCOMP MGM

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HARTFORD AREA OFFICE
ONE FINANCIAL PLAZA
HARTFORD, CONNECTICUT 06103

REGION I
Room 800
John F. Kennedy Federal Building
Boston, Massachusetts 02203

RECEIVED NOV 15 1978 MAYOR'S OFFICE

COMMUNITY DEVELOPMENT

November 3, 1978

IN REPLY REFER TO:
1.2

Mayor Louis A. Clapes
Old City Hall
179 Atlantic Street
Stamford, CT 06902

Dear Mayor Clapes:

Subject: Neighborhood Strategy Program
Project No. CT26-A006

On September 21, 1978 you were notified by Secretary Harris of the approval of your request to participate in the Neighborhood Strategy Area Program, for the West Side Neighborhood. This letter serves to confirm the approval notification. This approval is based on the information, plans, and commitments contained in your request. Should you decide to participate in and accept the terms of the program, please sign both copies of this letter and return one to this office.

Under the terms of the Secretary's approval, a total of 360 Section 8 substantial rehabilitation units have been designated for use in the NSA. Contract and budget authority for 360 units will be made available in FY 1979. The balance will be provided on an annual basis in accordance with the approved schedule. The funding for subsequent years will be provided on a priority basis from the Area Office's fair share. However, funding for 1979 and subsequent years is, as always, contingent upon appropriate Congressional actions and the availability of funds. This approval should not be construed as a commitment of any other Departmental resources such as 312 loan funds

You should now work with local property owners and developers in the designated NSA to arrange for the necessary financing and to prepare proposals for projects under the Section 8 Housing Assistance Payments Program.

You may solicit proposals by whatever method is most appropriate. However, Section 881.305 of the regulations requires that the chosen method be published in a newspaper of general local circulation.

The local government is responsible for reviewing all proposals and for submitting to HUD those it endorses for approval. Proposals submitted to HUD shall not exceed the total number of units that have been made available for the NSA in accordance with the approved schedule as follows:

Year 1	65	Year 4	75
Year 2	75	Year 5	70
Year 3	75		

Your participation in the NSA Program is governed by the NSA Special Procedures (24 CFR Part 881, Subpart C) published for effect on January 31, 1978, and by all other regulations and policies applicable to the Section 8 Substantial Rehabilitation Program. In particular, the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 applies to all displacement occuring as a result of PHA acquisition. Section 881.309 also requires that the local government be responsible for relocation payments and services at a level equivalent to the requirements of the Uniform Act for all tenants displaced by Section 8 Substantial Rehabilitation under the NSA Program when the rehabilitated units are privately owned or when no PHA acquisition is involved.

HUD processing and review of proposals also will be governed by the environmental procedures and requirements of HUD Circulars 1390.1 and 1390.2 which implement the National Environmental Policies Act of 1969.

By signing and returning this letter, you pledge on behalf of the local government to provide all public improvements and services as described in the NSA request and any subsequent negotiations with this office or the Central Office. Failure to provide these improvements and services may result in cancellation of the NSA designation for the area. For the purpose of making underwriting determinations for HUD mortgage insurance, the improvements pledged in the request shall be considered as though they were now complete. This, however, does not eliminate the requirement for an individual underwriting review of each application for insurance.

Because of the complexity and size of the Stamford proposal and the many administrative factors that will be involved, it would be advisable for the City to submit to the Area Office and receive approval of an administrative plan which clearly defines lines of project staff responsibility and authority and the staff resources which will be dedicated to the project.

Any unused contract and budget authority may be cancelled if proposals containing a sufficient number of units to utilize the authority reserved are not submitted in accordance with the approved schedule or any approved extensions, or if approved proposals fail to result in Agreements to Enter into Housing Assistance Payments Contracts. (See Section 881.308 of NSA Special Procedures.) Any variations in the NSA plan must be approved by this office. Significant variations require the approval of the Assistant Secretary for Housing-Federal Housing Commissioner.

May I extend to you the Department's full support in making this endeavor a success. In many instances the local government and HUD will be facing new issues and problems during the implementation of the

program. We are prepared to work closely with you to resolve these issues and, where necessary, propose modifications to the procedures to ensure program success.

For additional information please contact Mr. Lewis J. Wallace, NSA Coordinator, telephone number 244-3510.

Sincerely,

Lawrence L. Thompson
Area Manager

Accepted ______________________

Mayor
Title

November 17, 1978
Date

cc: Nancy L. Mitchell
Director, Community Development
429 Atlantic Street
Stamford, CT 06910

DEPARTMENT OF HOUS...
WASHINGTON, D.C. 20410

OFFICE OF THE ASSISTANT SECRETARY FOR
HOUSING - FEDERAL HOUSING COMMISSIONER

DEC 1 1981

IN REPLY REFER TO:

RECEIVED
DEC 1 ..
COMMUNITY DEVELOPMENT

Honorable Louis A. Clapes
Mayor of Stamford
Stamford, Connecticut 06901

Dear Mayor Clapes:

This is in response to your letter of November 2, 1981 to Secretary Pierce concerning your request for a reaffirmation of 191 Neighborhood Strategy Area (NSA) Section 8 Substantial Rehabilitation units for the City of Stamford.

As you know, our Hartford Area Office staff has informed us that 169 NSA Section 8 Substantial Rehabilitation units have been reserved as of the end of Fiscal Year 1981. A revised plan increasing the number of units available to Stamford in Fiscal Year 1981 called for 174 units to be reserved. The HUD Fiscal Year 1981 use or lose policy in the NSA Program, explained to you in a letter from the Hartford Area Office dated June 23, 1981, resulted in the recapture of those 5 units not reserved. Deducting that loss from Stamford's program of 360 units leaves a balance of 186 unreserved units.

Your concerns regarding the actual number of NSA Section 8 Substantial Rehabilitation units to be allotted to Stamford during Fiscal Years 1982 and 1983 cannot be addressed at this time. However, as soon as possible after the Fiscal Year 1982 appropriation levels are established and the allocation for NSAs is determined, you will be contacted by the Hartford Area Office staff to discuss the status of your NSA program for this fiscal year. Let me assure you that we are aware of the progress you have made and thank you for your continued interest in the NSA Program.

Very truly yours,

Philip D. Winn

Philip D. Winn
Assistant Secretary

TIMOTHY BEEBLE
NSA MANAGER
STAMFORD NEIGHBORHOOD PRESERVATION PROGRAM
COMMUNITY DEVELOPMENT - MAYOR'S OFFICE
P.O. BOX 10152
STAMFORD, CONN. 06904-2152
358-4725

MAYOR
LOUIS A. CLAPES

CITY OF STAMFORD, CONNECTICUT 06901

November 2, 1981

Secretary Samuel R. Pierce
U.S. Department of Housing and
Urban Development
451 7th Street S.W.
Washington, D.C. 20410

Dear Secretary Pierce:

I bring to your attention the status of Stamford's Section 8 Neighborhood Strategy Area Program and request a re-affirmation of the reservation of 191 units of Section 8 Substantial Rehabilitation/New Construction. In the Fall, 1978 HUD awarded the City of Stamford a 360-unit reservation of contract authority for Section 8 to be committed over a five year period. Stamford has just concluded the third year of this program and has received HUD reservation of contract authority for 169 units. As of this date, the HUD Hartford Area Office has not been advised by Washington as to the status of NSA commitments. Therefore, I turn to your good office for assistance.

The NSA reservation for Stamford is essential. I have committed extensive front end dollars to prepare the development proposals, work with individual owners, and install the major public improvements as stipulated in the original NSA contract with HUD. This City has and will continue to fulfill our end of the agreement. I expect that HUD will continue to do the same.

I request your assistance in re-affirming our reservation of 191 units in the NSA program. We are ready to forward applications to the HUD Hartford Area Office. If you need further information please call Nancy L. Mitchell, Director, Community Development in my office at 203-358-4155.

Very truly yours,

Louis A. Clapes
Mayor

LAC:tv/M8

Office Of The Mayor
City of Seattle

Charles Royer, Mayor

March 29, 1982

The Honorable Mike Lowry
1206 Longworth Office Building
Washington, D.C. 20515

Dear Congressman Lowry:

Mike

I appreciate your efforts to make sure that the Department of Housing and Urban Development (HUD) fulfills their commitments to the Section 8 Neighborhood Strategy Area (NSA) Program. The City of Seattle has two such areas, the Stevens (Capitol Hill) and International District, which were approved by HUD for the NSA Program.

The Section 8 NSA Program was to be a partnership between HUD and local jurisdictions. The program was to cover a five year period with HUD allocating a certain number of Section 8 units to the NSAs and the local jurisdictions providing technical and public improvements. The programs began in 1979; we are now in the fourth year of the program.

The following provides some detailed information about our two NSA programs. The first part compares the signed commitments made by each party with what was actually delivered and provides some recommendations about what we think HUD should do to satisfy its commitments.

A Comparison of the Commitments to Actual Delivery:

HUD Commitments

HUD committed to provide 200 and 225 Section 8 units over the five year period, respectively, for the Stevens and International District NSA programs. The units were to be allocated in accordance with an agreed-upon annual schedule. HUD allocated enough units the first three years, but has failed to allocate any units for the fourth year (1982). We understand that HUD does not intend to meet its commitments for providing the Section 8 allocations for the fifth year, as well.

City Commitments

- In our NSA applications, the City committed approximately $1.5 of local funds to the Stevens NSA for neighborhood and housing

revitalization and for the administration of the NSA program. Another $1.5 million was committed for the International District NSA. The City's annual financial commitments were to be expended for public improvements (park improvements, streetscaping and revisions, and wheelchair ramps), commercial development activities (technical assistance to small businesses), social services, and housing programs.

The City has thus far met and has even exceeded its commitments to the NSA programs in both neighborhoods. In addition to meeting our original commitments for each of the first four years, we have provided an additional $900 000 of local funds for the establishment of a loan fund to develop Section 8 housing projects. In total the City will have expended about $3.5 million of local funds for the two NSAs by the end of this, the fourth year.

We have also targeted Section 312 funds to these two neighborhoods. By the end of this year, we will have rehabilitated five Section 312 projects, totalling 76 units, since the NSA began.

<u>What HUD Can Do</u>

The City, by exceeding our commitments to the program, has demonstrated its determination to make the NSA programs successful. We thus far have obtained Section 8 reservations for seven projects totalling 165 units. One of these projects is complete and two have received Tandem financing; we are confident that the others will be able to get Section 11(b) financing.

The City has obviously invested a great amount of money and time in the NSA program. We think that the program can be effective as a strategy to produce housing for low-income households and for neighborhood revitalization. We ask that HUD live up to their commitments by providing the Section 8 projects by providing below-market interest rate loans or by allowing Section 8 NSA projects a Financial Adjustment Factor (FAF) so that they can get higher housing assistance payments.

I hope that this information is helpful. Should you need further assistance, please contact me.

Sincerely,

Charles Royer

Chairman GONZALEZ. Thank you, very much, Mr. Mayor. At this time we have a notice of a recorded vote. It looks as if it is a quorum call, however, it is actually the Democratic caucus.

Under the rules we are supposed to not conflict with the Democratic caucus meeting, but we are going to proceed with the proviso that any member on the Democratic side that feels impelled to do so, may excuse himself and attend.

However, as I understand it, you have the right to record your vote as being present at the caucus, and I am sure that is a quorum call. Unless there is an objection, my intention is to proceed.

Or, we could do it this way. I could yield to you and you take the gavel, and I go vote present, and then come back and then you could go.

Thank you, for your patience, over here on the left. We try to respect the conference when it meets and try not to schedule meetings of the subcommittee that would conflict.

Unless there is an objection, we will proceed by recognizing the next witness. And then at the end of the presentation of the panel, we would go into the 5-minute rule.

I believe that Ms. Reynolds, that you represent the League of Cities?

Ms. REYNOLDS. Yes, sir.

Chairman GONZALEZ. So, unless there is some compelling reason not to do so, we will recognize Ms. Reynolds at this point.

STATEMENT OF HON. CATHY REYNOLDS, COUNCIL MEMBER, DENVER, COLO., ON BEHALF OF THE NATIONAL LEAGUE OF CITIES, ACCOMPANIED BY REGGIE TODD, LEGISLATIVE COUNSEL OF THE LEAGUE

Ms. REYNOLDS. Thank you, Mr. Chairman.

I am Cathy Reynolds. I am a council member in Denver, Colo., and I am privileged to serve as the chairman of the National League of Cities' Community and Economic Development Committee.

The National League of Cities as you know, represents over 15,000 municipalities through our network of State and municipal leagues and nearly 1,000 direct member cities. I am pleased to be here today to express our views on H.R. 5731, the Housing and Community Development Amendments of 1982. I am accompanied by Reggie Todd, legislative counsel for the National League of Cities.

If I may, Mr. Chairman, I would like to submit for the record the National League of Cities' Priorities for 1982, adopted recently by our board of directors.

Chairman GONZALEZ. Without objection, so ordered.

[The material referred to by Ms. Reynolds follows:]

NATIONAL LEAGUE OF CITIES PRIORITIES - 1982

(Adopted by NLC's Board of Directors February 28, 1982)

Overview

The Nation's cities enter 1982 facing severe financial problems. In 1981 Federal aid to states and local governments was sharply reduced, affecting cities directly and reducing the ability of state to provide needed assistance high interest rates raised borrowing costs for all cities forcing many to defer going to the market altogether; the national recession which began in the late summer of 1981 and continues today added to unemployment rolls and further reduced local revenues and these problems became more severe at a time of growing agreement that our public infrastructure of roads, bridges, transit facilities, and water and sewerage works was in rapid decline, jeopardizing the national economic revitalization effort. This effort is also being undermined by the fact that too much of the Nation's human capital is unprepared to enter the job market, and that housing problems are now so widespread that they are a major deterrent to full economic recovery.

The President's FY 1983 budget continues the economic recovery program adopted last year; proceeds with large increases in defense spending and reductions in domestic program; and embarks upon an ambitious and comprehensive effort to reform the federal system through a sharp division of responsibilities between the national and state governments.

The National League of Cities continues to support the goals of revitalizing the Nation's economy and improving the operation and effectiveness of the federal intergovernmental system. We reaffirm our pledge to work with the Administration and the Congress to revive the Nation's economy and to assure a balanced and healthy federal system.

We believe, however, that certain policy changes are needed in 1982 if these goals are to be attained:

- First, to assure the success of the economic revitalization program, action must be taken to deal with the conflict between tight money policy and expansionary fiscal policy;

- Second, to enable states and local governments to maintain essential public infrastructure and services to their citizens, adequate resources must be made available to them and

- Third, to strengthen the Nation's competitiveness in International markets, it is essential that a national employment policy be developed that includes investment in our human resources, consistent with our investment in physical plant and new technology.

Finally, we believe the President's federalism proposals deserve the most serious consideration. NLC is working with the Administration and Congress in developing the details of implementing legislation and plans to review and consider alternative federalism proposals and develop specific recommendations in this area at a special meeting of its Board of Directors in the near future.

The Economy

The combination of tax cuts, increases in defense spending, continued rapid growth of entitlement programs, and high interest rates is driving the federal budget deficit and the total national debt to dangerous levels. The projected deficits for Fiscal Years 1983-1985 insure continuing high interest rates that will make it extremely difficult to attain the strong economic recovery that is the goal of current policies. What the economy requires is a gradual but firm approach that reduces the deficit to levels that will avoid the conflict between economic recovery and tight money policies. To achieve this goal, NLC recommends the following policies:

Less Restrictive Monetary Policy. In 1981 monetary growth for the year as a whole was below the Federal Reserve Board's restrictive targets. A modest easing of monetary restraint may help to hasten the end of the current recession, aid ailing industries such as the automobile and housing industries, reduce federal borrowing costs, and provide needed help for essential local borrowings.

Additional Revenues. Additional revenues in Fiscal Years 1983-1985 will help substantially to reduce the budget deficit. We believe that Congress should suspend the 10 percent tax cut scheduled for July 1983 and decide early next year whether and to what extent economic conditions warrant its reinstatement. Furthermore, we urge Congress to eliminate wasteful and obsolete tax loopholes, including the selling of tax credits and the "all savers" certificate.

Slower Growth in Defense Spending. During Fiscal Years 1983-1985 defense spending is budgeted to increase by nearly 10 percent in real terms, following a substantial increase in FY 1982. Over a six-year period, Fiscal Year 1982-1987, three of every five new tax dollars will be needed to finance increases in defense spending. The share of the budget devoted to defense over this period will rise from about 28 percent in FY 1982 to 37 percent in FY 1987. In FY 1983, the increase in defense spending will exceed cuts in domestic programs by about one third.

NLC believes that such phenomenal growth in defense spending, a principal cause of budget deficits, must be modestly restrained and thoroughly scrutinized. We recommend that annual growth in defense spending be reduced to about 7 percent in real terms, an unprecedented rate of growth in peacetime, saving between $15 and 20 billion during the Fiscal Year 1983-85 period. Such modest reductions can be made without in any way endangering or jeopardizing the President's commitment to modernize our defense forces.

Slower Growth Instead of Cuts in Entitlement Spending. The budget proposes further reductions in entitlement programs, projecting cuts of $8.1 billion in the medicare, medicaid, food stamps, and AFDC programs. NLC believes that these additional cuts would place too heavy a burden on poor and workirg poor families. Programs which provide assistance to the poor, whether they are elderly, children, the disabled, or the long-term unemployed, should not bear a disproportionate share of funding reductions Furthermore, such cuts should not create disincentives to work or impose new fiscal burdens on state and local governments Instead we urge a temporary reduction in cost-of-living adjustments for all entitlement programs indexed to the Consumer Price Index through legislation providing for a 75 percent of CPI adjustment for such programs during Fiscal Years 1983-1985.

Human Capital Investment Program. A human capital investment program must be established as part of a strong national employment policy to develop the human capital potential of our Nation. Such a program should include employment training to address the remedial, job entry, job retraining, and displaced worker training needs of our people. The private sector, including both business and labor, must be direct partners in this effort. The Federal Government should provide effective incentives for the private sector to invest in efforts to address these training needs. Local governments are committed to fulfilling their responsibilities in this partnership.

Adoption of all of these policies relating to the economy would restore needed confidence in our economic policies by reducing budget deficits during Fiscal Years 1983-1985, thus permitting monetary policy to support and facilitate the Nation's economic recovery.

The Budget for Programs Affecting Cities

Federal aid to states and localities continues to decline sharply. If the President's FY 1983 budget is approved, federal grants will decline from $105 8 billion in FY 1981 to $65.2 billion in FY 1982 A large portion of this deep cut will be in programs that directly benefit cities and their residents. We believe that states and localities are bearing an unfair share of the burden of restraint in federal spending, and call for a moratorium on further cuts in state and local programs.

NLC commends the President for proposing to fund key urban programs -- general revenue sharing, community development block grants and UDAG mass transit capital grants, and wastewater treatment construction grants -- at current FY 1982 levels. Depsite extremely difficult budget problems, the Administration has demonstrated an understanding of and commitment to the important services provided under these programs.

We are greatly concerned, however, over cuts proposed in other programs that directly affect those who can least afford reductions in services, and that are essential prerequisites for sustained economic growth:

- in housing for those of low and moderate income assisted by HUD's section 8 and public housing programs,

- in mass transit operating assistance which provides links to jobs and services particularly for those who do not or cannot operate automobiles,

- in highway assistance for cities which is critical for the development and maintenance of the infrastructure upon which the Nation's economic recovery depends,

- in CETA employment training programs for the unemployed and underemployed who need training in basic skills and retraining for better job opportunities; employment training programs should be funded at not less than current levels and funds should be allocated to units of general purpose local government through a national formula,

- in low income energy assistance which helps the poor cope with extraordinary increases in heating and cooling costs, and

- in social services programs, including programs serving refugees, which provide a wide range of important services for the neediest in our communities.

NLC is particularly concerned over the budget's treatment of environmental protection activities and the development of energy resouces. The statutory framework for environmental protection requires an effective EPA for research and development, national standard-setting, and enforcement activities. EPA's responsibilities in these areas are growing; yet it continues to fall behind in meeting statutory deadlines for standard-setting and in its enforcement responsibilities. States and cities lack the resources to take over these responsibilities. Therefore, EPA funding in FY 1983 should not be cut below FY 1982 levels.

We also believe that there must be a more balanced approach to meeting the Nation's energy needs at the lowest cost to consumers and businesses The budget proposes sharp cuts in programs and business tax credits for conservation and renewable energy sources, while proposing increases or only modest reductions in commercial nuclear development and oil and gas development. Since conservation and renewable energy sources represent cost-effective approaches to solving our energy problems, NLC urges Congress to continue funding for programs in these areas at FY 1982 levels.

We urge the Congress to maintain funding for all of these important services and activities at FY 1982 levels.

The New Federalism

The National League of Cities believes that the President's proposal to restructure the federal system is a bold and significant

initiative, the most far-reaching alteration of federal and state relationships since the New Deal. NLC plans to work with the Administration and the Congress in drafting specific proposals. To facilitate discussion, NLC urges the Administration and the Congress to consider the FY 1983 budget as separate and apart from consideration of the framework of the New Federalism proposal.

For local governments this proposal entails both important benefits and serious risks. The benefits include a reasonable transition period which provides time for needed adjustments; guaranteed "pass throughs" of funds for direct federal-local programs for a specified period; and certainty of funding for major urban programs, such as general revenue sharing and community development block grants, again for a specified period

At the same time, local governments could be subject to substantial risks during the latter half of the transition period and beyond. These risks involve primarily the treatment of local program needs by states after the initial guaranteed "pass through" period. We ask the Administration to actively consider the following questions which express municipal concerns. To what extent will states abandon local programs as a result of their own expanding state responsibilities? And to what extent will equitable state-local distribution formulas be developed after the termination of the federal programs to be turned back?

The proposal raises many other important questions: does it establish a proper division of governmental responsibilities in the area of income maintenance? should the Federal Government retain residual or shared responsibility in any of the programs being turned back? if state tax effort is to be relied on to finance certain program areas, should the proposal not address the problem of fiscal disparities among the states? should there be a requirement that states maintain a certain level of effort in key program areas? if, as may be inevitable, states will tend to deal with their own expanding responsibilities in the later years of the transition period, should not states be required to strengthen local tax and fiscal capacity to sustain an adequate and appropriate level of services? to what extent will the proposals merely substitute state bureaucracy for federal bureaucracy?

Some of these questions will be answered during the development of implementing legislation being prepared by the Administration; others by alternative proposals such as that recently recommended by Senator David Durenberger of Minnesota. It is clear that a full and vigorous discussion of all alternatives will be undertaken before a consensus can be reached.

NLC is working with the Administration on issues of concern to cities raised by the President's federalism proposal. After consideration by our policy committees this Board will analyze the President s proposal review and consider alternative proposals, and develop specific recommendations in this area at a special meeting to be held this spring.

Non-Budget Priorities

NLC urges reauthorization of the following major programs and activities that expire in 1982:

- the Comprehensive Training and Employment Act: retaining the existing prime sponsor system, with full participation of local elected officials, rather than the Administration's proposed block grant to states; increasing involvement of the private sector in providing training and determining jobs for which training is to be available; and maintaining current eligiblity criteria for training participants;

- the Voting Rights Act, as passed by the House of Representatives: extension for 10 years to insure elimination of governmental practices that have the effect of denying fundamental voting rights;

- the Clean Air Act: retaining essential provisions for protection of human health and all deadlines, sanctions, and emission control requirements;

- the Clean Water and Safe Drinking Water Acts: including establishing a groundwater protection strategy and new programs, such as a water bank to finance activities to protect and increase water supply;

- the Surface Transportation Act of 1978, providing aid for highways and mass transit programs, and the Airport Development Assistance Program for cities of all sizes, including consideration of higher aviation user fees; and

- the Public Works and Economic Development Act of 1965, providing economic development assistance to localities with high unemployment.

NLC urges enactment of effective fair housing enforcement amendments, an urban enterprise zone program, and support for technological innovation to improve productivity; and opposes federal laws and regulations that preempt state and local authority over cable services, hazardous materials, truck sizes and weights, and airport noise. In addition, we urge enactment of legislation to relieve municipalities from recent judicial decisions expanding municipal liability and subjecting municipalities to the anti-trust laws; municipalities should be specifically exempted from anti-trust laws.

Ms. REYNOLDS. Although the administration has not formally introduced its fiscal year 1983 HUD legislative package, the President's budget request for HUD programs calls for dramatic changes in existing Federal housing assistance. Under the administration's plan, there would be no new funding for assisted housing in fiscal year 1983. It assumes the recapture of funds through the cancellation of hundreds of thousands of commitments for new or rehabilitated housing units already approved under the section 8 and public housing programs. In addition, $9.4 billion in housing funds appropriated for fiscal year 1982 would be rescinded.

The National League of Cities strongly opposes the severe budget reductions proposed for the housing programs aimed at low- and moderate-income families. While extreme budgetary pressures require a close examination of the assisted housing programs, NLC believes that the administration's approach would have a devastating impact on the ability of many low-income families to find or retain adequate shelter.

We commend Chairman Gonzalez and the other members of the subcommittee for their positive leadership in offering an alternative to the administration's housing proposals. The availability of decent, affordable rental housing has reached crisis proportions in nearly every locality. The shortage results from an insufficient number of new units being built and from low rental vacancy rates, which are aggravated by continuing losses from the existing stock due to abandonment and the continuing conversion of rental units to condominiums. The situation has reached the point where few if any, nonsubsidized multifamily housing units are being constructed today.

Overall, we believe that your omnibus housing initiative addresses many of the critical problems affecting the rental housing market. There are, however, a number of concerns about the proposal upon which we would like to comment.

We are aware that the high cost and long-term budgetary implications of the section 8 new construction program has made its continuation politically impractical. We believe that your multifamily production proposal is an important first step in exploring ways to reduce housing costs and to adequately house as many people as possible with the limited funds available.

We support the provisions of the bill targeting Federal assistance to areas with severe rental shortages and the greatest need. In addition, the ability of States and local governments to choose from a flexible package of assistance tools, including capital grants, loans, interest reduction payments, and grants for land purchase, is an important feature.

However, we are very concerned that this proposal provides that only 20 percent of the units in a project would be rented to families with incomes below 80 percent of median. NLC policy states that direct assistance should not be made to the middle income at the expense of low- and moderate-income citizens. However, we recognize that these are extraordinary times, both for the housing market and the demands on Federal funds. We believe much more can be accomplished for low- and moderate-income families even with today's severe budgetary pressures.

93-366 O—82——41

While the affordability of housing has become a problem further and further up the income scale, the greatest need remains among our low- and moderate-income citizens. We would therefore urge the committee to reexamine this provision and consider the following alternatives: At least 30–40 percent of the units in a project should be set aside for low-income families; additionally, those projects that exceed this percentage or lengthen their commitment to low-income citizens should be given a priority for project approvals.

We believe that by more tightly targeting the program we can achieve the dual objectives of providing housing assistance for those most in need and increasing the overall supply of new rental units.

NLC supports the continuation of the section 8 existing program. The administration has proposed a voucher or modified section 8 existing program. Although a complete analysis must await release of HUD's legislative proposal, the administration's budget proposal raises numerous questions about the adequacy of the assistance payments in terms of the amount and duration of assistance. Under the administration's plan, the value of food stamps would be included in determining tenant income; there would be an average of $2,000 rather than the current, $3,600 annually per unit; and the limitation or annual increases in rent would be increased from 10 percent to 20 percent. We believe these proposals could seriously reduce the worth of the modified certificates to low-income families.

NLC supports the committee's proposal to maintain the existing level of new public housing construction at approximately 20,000 units and the authorization of $1.6 billion for public housing operating subsidies and at least $1.7 billion for public housing modernization. This level of funding will insure the Federal Government's commitment to a balanced program of construction and conservation of our investment in the existing stock of public housing for our lowest income citizens.

We strongly support the continuation of the GNMA tandem program at the proposed level of $1.9 billion. We believe this level of authority will insure that those projects currently in the "pipeline" will continue to receive tandem assistance during this period of high interest rates.

Although the community development block grant and UDAG programs are authorized through fiscal year 1983, we are pleased by the committee's reaffirmation of its commitment to maintain these programs at the currently authorized levels of $3.66 billion and $500 million respectively. In addition, we strongly support the authorization of the section 108 loan guarantee program at $225 million for fiscal year 1983. As you know, the administration has proposed a rescission of $125 million in fiscal year 1982 authority and elimination of this program in fiscal year 1983. The section 108 program has proved to be an increasingly important development tool which permits entitlement communities to finance major capital improvements by pledging their CDBG funds as security against HUD loan guarantees.

Another important component of local community revitalization efforts is the section 312 rehabilitation loan program, which has served a full range of local rehabilitation needs, including single

family and multifamily structures. The administration proposes to end this program in the fiscal year 1983 which currently operates with repayments from prior obligations. NLC supports the provision of $69 million in fiscal year 1983 to continue the section 312 program, which has made an important contribution to the overall community development strategies of local governments.

Mr. Chairman and members of the subcommittee, we appreciate the opportunity to appear before you and present the views of the National League of Cities.

Thank you.

[Ms. Reynolds' prepared statement, on behalf of the National League of Cities, and a resolution passed by the Denver City Council supporting the housing policy of the National Association of Housing and Redevelopment Officials allowing public housing authorities to establish a flexible rent structure, follow:]

STATEMENT

OF

CATHY REYNOLDS, COUNCIL MEMBER, DENVER, COLORADO

FOR THE

NATIONAL LEAGUE OF CITIES

MARCH 17, 1982

Mr. Chairman and Members of the Subcommittee, I am Cathy Reynolds, Council Member of Denver, Colorado. I serve as chairman of the Community and Economic Development Policy Committee of the National League of Cities (NLC).

NLC, as you know represents over 15,000 municipalities through our network of state municipal leagues and nearly 1,000 direct member cities. I am pleased to be here today to express our views on H.R. 5731, the Housing and Community Development Amendments of 1982.

If I may, Mr. Chairman, I would like to submit for the record the National League of Cities' Priorities for 1982, adopted recently by our Board of Directors.

Although the Administration has not formally introduced its FY 1983 HUD legislative package, the President's budget request for HUD programs calls for dramatic changes in existing federal housing assistance. Under the Administration's plan, there would be no new funding for assisted housing in FY 1983. It assumes the recapture of funds through the cancellation of hundreds of thousands of commitments for new or rehabilitated housing units already approved under the Section 8 and public housing programs. In addition, $9.4

billion in housing funds appropriated for FY 1982 would be rescinded.

NLC strongly opposes the severe budget reductions proposed for the housing programs aimed at low- and moderate-income families. While extreme budgetary pressures require a close examination of the assisted housing programs, NLC believes that the Administration's approach would have a devastating impact on the ability of many low-income families to find or retain adequate shelter.

We commend Chairman Gonzalez and the other members of the Committee for their positive leadership in offering an alternative to the Administration's housing proposals. The availability of decent, affordable rental housing has reached crisis proportions in nearly every locality. The shortage results from an insufficient number of new units being built and from low rental vacancy rates, which are aggravated by continuing losses from the existing stock due to abandonment and the continuing conversion of rental units to condominiums. The situation has reached the point where few if any, non-subsidized multifamily housing units are being constructed today.

Overall, we believe that your omnibus housing initiative addresses many of the critical problems affecting the rental housing market. There are, however, a number of concerns about the proposal upon which we would like to comment.

HOUSING ASSISTANCE

We are aware that the high cost and long-term budgetary implications of the section 8 new construction program has made its continuation politically impractical. We believe that your multifamily production proposal is an important first step in exploring ways to reduce housing costs and to adequately house as many people as possible with the limited funds available.

We support the provisions of the bill targeting federal assistance to areas with severe rental shortages and the greatest need. In addition, the ability of states and local governments to choose from a flexible package of assistance tools, including capital grants, loans, interest reduction payments, and grants for land purchase, is an important feature.

However, we are very concerned that this proposal provides that only 20 percent of the units in a project would be rented to families with incomes below 80 percent of median. NLC policy believes that direct assistance should not be made to the middle income at the expense of low and moderate income citizens. However, we recognize that these are extraordinary times, both for the housing market and the demands on federal funds. We believe much more can be accomplished for low- and moderate-income families even with today's severe budgetary pressures.

While the affordability of housing has become a problem further and further up the income scale, the greatest need remains among our low- and moderate-income citizens. We would

therefore urge the committee to rexamine this provision and consider the following alternatives: at least 30-40 percent of the units in a project should be set-aside for low income families; additionally, those projects that exceed this percentage or lengthen their commitment to low-income citizens should be given a priority for project approvals.

We believe that by more tightly targeting the program we can achieve the dual objectives of providing housing assistance for those most in need and increasing the overall supply of new rental units.

NLC supports the continuation of the Section 8 existing program. The Administration has proposed a voucher or modified Section 8 existing program. Although a complete analysis must await release of HUD's legislative proposal, the Administration's budget proposal raises numerous questions about the adequacy of the assistance payments in terms of the amount and duration of assistance. Under the Administration's plan, the value of food stamps would be included in determining tenant income; there would be an average of $2,000 annually per unit; and the limitation on annual increases in rent would be increased from the current 10 percent to 20 percent. We believe these proposals could seriously reduce the worth of the modified certificates to low-income families.

NLC supports the Committee's proposal to maintain the existing level of new public housing construction at approximately 20,000 units and the authorization of $1.6 billion for public housing operating subsidies and at least $1.7 billion for public housing modernization. This level of funding will

ensure the Federal Government's commitment to a balanced program of construction and conservation of our investment in the existing stock of public housing for our lowest income citizens.

We strongly support the continuation of the GNMA tandem program at the proposed level of $1.9 billion. We believe this level of authority will ensure that those projects currently in the "pipeline" will continue to receive tandem assistance during this period of high interest rates.

COMMUNITY DEVELOPMENT

Although the Community Development Block Grant and UDAG programs are authorized through fiscal year 1983, we are pleased by the Committee's reaffirmation of its commitment to maintain these programs at the currently authorized levels of $3.66 billion and $500 million respectively. In addition, we strongly support the authorization of the Section 108 loan guarantee program at $225 million for fiscal year 1983. As you know, the Administration has proposed a rescission of $125 million in FY 1982 authority and elimination of this program in FY 1983. The section 108 program has proved to be an increasingly important development took which permits entitlement communities to finance major capital inprovements by pledging their CDBG funds as security against HUD loan guarantees.

Another important component of local community revitalization efforts is the Section 312 rehabilitation loan program, which has served a full range of local rehabilitation needs, including single family and multifamily structures. The

Administration proposes to end this program in FY 1983 which currently operates with repayments from prior obligations. NLC supports the provision of $69 million in FY 1983 to continue the Section 312 program, which has made an important contribution to the overall community development strategies of local governments.

Mr. Chairman and members of the Committee, we appreciate the opportunity to appear before you and present the views of the National League of Cities.

BY AUTHORITY

RESOLUTION NO. 17

SERIES OF 1982

INTRODUCED BY

Reynolds and Swalm

A RESOLUTION

SUPPORTING THE HOUSING POLICY OF THE NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS (NAHRO) ALLOWING PUBLIC HOUSING AUTHORITIES TO ESTABLISH A FLEXIBLE RENT STRUCTURE.

WHEREAS, the Housing Authority of the City and County of Denver is required to establish a tenant-rent structure pursuant to State and Federal laws; and

WHEREAS, from 1937 to 1971, the Housing Authority complied with State law which has allowed the establishment of flat rents for tenants receiving public assistance; the rent for public assistance equaled monthly operating costs and therefore the Authority required no federally assisted operating subsidy; and

WHEREAS, in 1970 and 1971 Congress passed the Brooke Amendments to the Federal Housing Statutes which established a maximum rent-to-income ratio not to exceed 25% of each tenant's adjusted income; the implementation of the Brooke Amendments necessitated an annual operating subsidy from the Department of Housing and Urban Development and prohibited the Housing Authority from increasing its rental income; and

WHEREAS, since 1980 the Congressional appropriations of operating subsidy have not been sufficient to fully subsidize the Housing Authority;

BE IT RESOLVED BY THE COUNCIL OF THE CITY AND COUNTY OF DENVER:

Section 1. That the City Council of the City and County of Denver advocate the repeal of the Brooke Amendments.

Section 2. That the City Council support the housing policy of the National Association of Housing and Redevelopment Officials (NAHRO) which will allow local public housing authorities to establish a flexible rent structure which will decrease the dependency of housing authorities on federal operating subsidies and allow the establishment of flat rents and return local decision making to the local Authority's Board of Commissioners.

Section 3. That the Clerk of the City and County of Denver forward a copy of this Resolution to the Colorado Congressional delegation and appropriate Congressional committees, and attest and affix the Seal of the City and County of Denver to this resolution.

PASSED BY THE COUNCIL March 15 1982

William R Roberts - President

APPROVED William H McNichols - Mayor March 17, 1982

ATTEST: F. J. Serafini Clerk and Recorder, Ex-Officio Clerk of the City and County of Denver

Chairman GONZALEZ. Thank you, very much, Ms. Reynolds. We deeply appreciate it. And to clarify the record, I do not want to appear to be defiant to the rules, especially to the Democratic party, but we did not know at the time that the commitments were made for your appearance, and you were making arrangements to accept and come all of the way over here, that a meeting of the caucus was to be called.

This is not the regular meeting of the caucus, so for that reason, we are continuing. We certainly did not feel it would be right to cause you to turn back and not appear this morning.

Well, we next recognize Ms. Keeton, and as I understand it, you are representing the counties.

STATEMENT OF HON. RUTH KEETON, COUNCILWOMAN, HOWARD COUNTY, MD., ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES

Ms. KEETON. Thank you. Mr. Chairman, Mr. Stanton, Ms. Roukema, on behalf of the National Association of Counties, let me thank you for inviting our testimony before this subcommittee on H.R. 5731, the Housing and Community Development Amendments of 1982.

I am Ruth Keeton, a member of the county council in Howard County, Md., and I also chair the Governor's Housing Task Force, created by the State legislature in Maryland last year, with the charge to assess the need to evaluate the adequacy of existing programs.

And out of that experience I can tell you that counties throughout the State of Maryland, have utilized well the resources that are available. But the needs of people that remain, are backing up and are far from met.

I support your statement that what is proposed in the budget allows for far less than what the Nation, and what our people really need.

Mr. Chairman, NACO is aware of, keenly aware of the current budget situation and the need to restrain Federal spending. However, as you know, in fiscal year 1982, State and local government progams which represent approximately 14 percent of the total Federal budget, absorbed 66 percent of the cuts proposed by the President and adopted by Congress.

While the full impact of these cuts, including cuts in programs under this committee's jurisdiction, have not been totally realized, there is now a pervasive feeling among county governments, that all of the fat, if there was fat, has been eliminated, the fiscal year 1982 Federal budget cuts have forced many counties to reduce employment, cut back on service hours, and services, and postpone badly needed investments, in infrastructure repairs.

Many counties have had to raise property or sales taxes, an action viewed most unfavorably by citizens, as you can imagine. Further reductions in county revenues would seriously and negatively impact on the ability of counties to provide basic and vital services to our citizens.

We recently, as a county council, asked community agencies and members of the community to share with us the impact on people,

whom we are responsible for, about these cuts. And it was an evening of testimony repeatedly demonstrating that there are people who are not going to be full members in our community unless there is a way to continue many of these programs.

Thus, it was a great disappointment for NACO and its members to learn that the administration's fiscal year 1983 budget would cut even further into the Federal programs which counties rely on to provide for the needs of their citizens.

As a consequence, the board of directors of the National Association of Counties, on February 21, 1982, adopted a resolution urging Congress to impose a moratorium on budget reductions in Federal domestic programs for fiscal year 1983.

Mr. Chairman, although the issue is not directly before the subcommittee, we want you to know of our support for congressional appropriation of the full $3.7 billion for community development block grants and $500 million for urban development action grants for fiscal year 1983. If the community development and UDAG programs are going to continue to be the basic building blocks of communities, enabling them to meet low-income people's needs, to provide communities that they can live in as real people, it is imperative that they be funded at their fully authorized amount.

NACO is concerned about the administration's budget and authorization request for low-income housing assistance. As you know it proposes, in fiscal year 1982, a $9.4 billion rescission as well as another $10.4 billion recapture of funds appropriated for section 8 and public housing in prior years.

NACO strongly opposes these proposals. We have worked very hard to find appropriate projects to implement with those resources and have been appalled that they are now in jeopardy. In our own county we had four new construction projects in the tandem raffle this week, one of which has survived. And we are all searching for ways not to lose that modest funding to meet the needs of our community for assisted housing.

The budget request for fiscal year 1983 would essentially end low-income housing construction, except for 10,000 units under section 202 elderly housing program. It would also modify the section 8 existing housing program, replacing it with a voucher type program, under which tenants' incomes would rise and you have heard the implications of this already, from the cities. However, one element of the administration's proposed modification, which we think has merit, is that which provides an incentive for tenants to shop for cheaper but standard housing, allowing them to retain the difference.

We would urge that this subcommittee adopt this provision as a modification to the existing section 8 program. It will not work in all communities, but where it does, it can be an incentive to those families.

NACO is pleased to see that H.R. 5731 would continue a basic Federal Government commitment to housing and continue the commitment at a funding level equivalent to that appropriated by Congress for fiscal year 1982.

We are also pleased to see that the basic assisted housing programs—public housing, section 8 existing, a multifamily production and rehabilitation program and GNMA—are continued. In rental housing, in my part of Maryland, 95 percent of the housing in the last 3 years would not have been built without GNMA or some other form of HUD assistance. We are talking not only about people who need assisted housing, but the vast bulk of our constituents who now can only rent.

But it is essential that there be some form of Federal assistance for the construction and rehabilitation of housing for low- and moderate-income persons. The proposed multi-family production program in H.R. 5731 is a huge step in that direction.

I told Chairman Gonzalez, as I greeted him earlier, that we had been despairing because of the complete neglect for multi-family housing until this proposal. And we urge this committee to really give it strong support, by use of short-term Federal assistance to areas of housing shortage, and providing maximum flexibility to State and local governments as to its use.

The bill responds favorably to the criticisms of the present section 8 new construction/substantial rehabilitation program. We are, however, concerned, and we join Ms. Reynolds and the mayor, in raising the same consideration, with the proposed program reserving 20 percent of the available units for persons whose incomes are below 80 percent of the median. We will not begin to meet the need with this percentage limitation.

We would urge the subcommittee to consider either increasing this percentage or impose an upper limit of 120 percent of median income for those other 80 percent of the units, or doing a mix of both. We call your attention to the fact that this is a much too modest set-aside for the people whose needs will not be met otherwise.

These changes will help insure that these scarce Federal funds are targeted to those most in need. In addition, since the bill extends section 202 elderly housing program, we recommend that these additional units be heavily oriented toward housing low- and moderate-income families. I often have opportunities to go into the section 202 projects that are in our counties and their residents are very much alive and grateful, somewhat panicky for fear that anything will change because they have come to know that this is essential for their living at their age.

We would also urge that the subcommittee consider providing a formula entitlement distribution of these funds, that is, block grants, as opposed to a competitive grant program. Such a distribution system could make funding available to States and local governments on a predictable basis and as a companion to their community development block grant.

It takes a long time to put together the kinds of communities that we all value, and when we know that we can rely on making housing available for a cross section of people in those communities, we can then do the other kinds of things that go to support

those houses and families. The predictability of funding by a block grant would enable much more effective planning and it is fully consistent with the idea of flexibility which the chairman stressed in introducing the bill.

In summary, committee members, we salute you for consideration of these matters and in maintaining the Federal commitment to low-income housing. We are eager to join with you in convincing Congress to do the same.

[Ms. Keeton's prepared statement, on behalf of the National Association of Counties, follows:]

STATEMENT BY THE HONORABLE RUTH KEETON, COUNTY COUNCILWOMAN, HOWARD COUNTY, MARYLAND ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES, BEFORE THE HOUSE SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT, ON H.R. 5731, THE HOUSING AND COMMUNITY DEVELOPMENT AMENDMENTS OF 1982, MARCH 17, 1982.

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES (NACo),* LET ME THANK YOU FOR INVITING OUR TESTIMONY BEFORE THIS SUBCOMMITTEE ON H.R. 5731, "THE HOUSING AND COMMUNITY DEVELOPMENT AMENDMENTS OF 1982."

I AM RUTH KEETON, COUNTY COUNCILWOMAN, HOWARD COUNTY, MARYLAND. I AM ALSO CHAIR OF THE GOVERNOR'S HOUSING TASK FORCE FOR THE STATE OF MARYLAND. WITH ME TODAY IS JOHN MURPHY, ASSOCIATE DIRECTOR OF NACo FOR COMMUNITY DEVELOPMENT.

MR. CHAIRMAN, NACo IS KEENLY AWARE OF THE CURRENT BUDGET SITUATION AND THE NEED TO RESTRAIN FEDERAL SPENDING. HOWEVER, AS YOU KNOW, IN FY '82 STATE AND LOCAL GOVERNMENT PROGRAMS, WHICH REPRESENT APPROXIMATELY 14% OF THE TOTAL FEDERAL BUDGET, ABSORBED 66% O F THE CUTS PROPOSED BY THE PRESIDENT AND ADOPTED BY THE CONGRESS.

WHILE THE FULL IMPACT OF THESE CUTS (INCLUDING CUTS IN PROGRAMS UNDER THIS COMMITTEE'S JURISDICTION) HAVE NOT BEEN TOTALLY REALIZED, THERE IS NOW A PERVASIVE FEELING AMONG COUNTY GOVERNMENTS THAT ALL OF THE "FAT," IF THERE WAS ANY HAS BEEN ELIMINATED. THE FY '82 FEDERAL BUDGET CUTS HAVE FORCED MANY COUNTIES TO REDUCE EMPLOYMENT, CUT BACK ON SERVICE HOURS AND SERVICES AND POSTPONE

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* The National Association of Counties is the only national organization representing county government in the United States. Through its membership, urban, suburban and rural counties join together to build effective, responsive county government. The goals of the organization are to: improve county governments; serve as the national spokesman for county government; act as a liaison between the nation's counties and other levels of government; achieve public understanding of the role of counties in the federal system.

BADLY NEEDED INVESTMENT IN INFRASTRUCTURE REPAIRS. MANY COUNTIES HAVE HAD TO RAISE PROPERTY OR SALES TAXES, AN ACTION VIEWED MOST UNFAVORABLY BY CITIZENS. FURTHER REDUCTIONS IN COUNTY REVENUES WOULD SERIOUSLY AND NEGATIVELY IMPACT ON THE ABILITY OF COUNTIES TO PROVIDE BASIC AND VITAL SERVICES TO CITIZENS.

THUS, IT WAS A GREAT DISAPPOINTMENT FOR NACo AND ITS MEMBERS TO LEARN THAT THE ADMINISTRATION'S FY '83 BUDGET WOULD CUT EVEN FURTHER INTO THE FEDERAL PROGRAMS WHICH COUNTIES RELY ON TO PROVIDE FOR THE NEEDS OF THEIR CITIZENS. AS A CONSEQUENCE THE BOARD OF DIRECTORS OF THE NATIONAL ASSOCIATION OF COUNTIES ON FEBRUARY 21, 1982 ADOPTED A RESOLUTION URGING CONGRESS TO IMPOSE A MORATORIUM ON BUDGET REDUCTIONS IN FEDERAL DOMESTIC PROGRAMS FOR FY '83.

MR. CHAIRMAN, ALTHOUGH THE ISSUE IS NOT DIRECTLY BEFORE THE SUBCOMMITTEE, WE WANT YOU TO KNOW OF OUR SUPPORT FOR CONGRESSIONAL APPROPRIATION OF THE FULL $3.7 BILLION FOR COMMUNITY DEVELOPMENT BLOCK GRANTS AND $500 MILLION FOR URBAN DEVELOPMENT ACTION GRANTS FOR FY '83. IF THE COMMUNITY DEVELOPMENT AND UDAG PROGRAMS ARE TO CONTINUE TO BE THE BASIC BUILDING BLOCKS OF COMMUNITIES, ENABLING THEM TO MEET LOW INCOME PROPLES' NEEDS, IT IS IMPERATIVE THAT THEY BE FUNDED AT THEIR FULLY AUTHORIZED AMOUNT.

NACo IS DEEPLY CONCERNED ABOUT THE ADMINISTRATION'S BUDGET AND AUTHORIZATION REQUEST FOR LOW INCOME HOUSING ASSISTANCE. AS YOU KNOW IT PROPOSES AN FY '82 $9.4 BILLION RESCISSION AS WELL AS ANOTHER $10.4 BILLION RECAPTURE OF FUNDS APPROPRIATED FOR SECTION 8 AND PUBLIC HOUSING IN PRIOR YEARS. NACo STRONGLY OPPOSES THESE PROPOSALS.

THE BUDGET REQUEST FOR FY '83 WOULD ESSENTIALLY END LOW INCOME HOUSING CONSTRUCTION, EXCEPT FOR 10,000 UNITS UNDER THE SECTION 202 ELDERLY HOUSING PROGRAM. IT WOULD ALSO MODIFY THE SECTION 8 EXISTING HOUSING PROGRAM, REPLACING IT WITH A "VOUCHER TYPE" PROGRAM UNDER WHICH TENANT INCOMES WOULD RISE, THEIR FOOD STAMPS WOULD BE COUNTED AS INCOME AND THEY WOULD PAY ALL OF THEIR UTILITIES. NACo ALSO OPPOSES THESE MODIFICATIONS TO THE SECTION 8 EXISTING PROGRAM.

HOWEVER, ONE ELEMENT OF THE ADMINISTRATION'S PROPOSED MODIFICATION WHICH WE THINK HAS MERIT IS THAT WHICH PROVIDES AN INCENTIVE FOR TENANTS TO SHOP FOR CHEAPER, BUT STANDARD HOUSING, ALLOWING THEM TO RETAIN THE DIFFERENCE. WE WOULD URGE THAT THIS SUBCOMMITTEE ADOPT THIS PROVISION AS A MODIFICATION TO THE EXISTING SECTION 8 PROGRAM.

NACo IS PLEASED TO SEE THAT H.R. 5731 WOULD CONTINUE A BASIC FEDERAL GOVERNMENT COMMITMENT TO HOUSING -- AND CONTINUE THE COMMITMENT AT A FUNDING LEVEL EQUIVALENT TO THAT APPROPRIATED BY CONGRESS FOR FY '82. NACo IS ALSO PLEASED TO SEE THAT THE BASIC ASSISTED HOUSING PROGRAMS -- PUBLIC HOUSING, SECTION 8 EXISTING, A MULTIFAMILY PRODUCTION AND REHABILITATION PROGRAM AND THE GNMA -- ARE CONTINUED.

IT IS ESSENTIAL THAT THERE BE SOME FORM OF FEDERAL ASSISTANCE FOR THE CONSTRUCTION AND REHABILITATION OF HOUSING FOR LOW AND MODERATE INCOME PERSONS. THE PROPOSED MULTIFAMILY PRODUCTION PROGRAM IN H.R. 5731 IS A HUGH STEP IN THAT DIRECTION. BY USE OF SHORT TERM FEDERAL ASSISTANCE TO AREAS OF HOUSING SHORTAGE AND PROVIDING MAXIMUM FLEXIBILITY TO STATE AND LOCAL GOVERNMENTS AS

TO ITS USE, IT RESPONDS FAVORABLY TO CRITICISM OF THE PRESENT SECTION 8 NEW CONSTRUCTION/SUBSTANTIAL REHABILITATION PROGRAM.

WE ARE, HOWEVER, CONCERNED WITH ONE OF THE CONDITIONS IN THE PROPOSED PROGRAM RESERVING 20% OF THE AVAILABLE UNITS FOR PERSONS WHOSE INCOMES ARE BELOW 80% OF MEDIAN. WE WOULD URGE THAT THE SUBCOMMITTEE CONSIDER EITHER INCREASING THIS PERCENTAGE OR IMPOSE AN UPPER LIMIT OF 120% OF MEDIAN INCOME FOR THOSE OTHER 80% OF THE UNITS, OR DOING BOTH. THESE CHANGES WOULD HELP INSURE THAT SCARCE FEDERAL FUNDS ARE TARGETED TO THOSE MOST IN NEED.

IN ADDITION, SINCE THE BILL EXTENDS THE SECTION 202 ELDERLY HOUSING PROGRAM WE RECOMMEND THAT THIS NEW PROGRAM BE HEAVILY ORIENTED TOWARD HOUSING LOW AND MODERATE INCOME FAMILIES.

WE WOULD ALSO URGE THAT THE SUBCOMMITTEE CONSIDER PROVIDING A FORMULA ENTITLEMENT DISTRIBUTION OF THESE FUNDS, I.E., BLOCK GRANT, AS OPPOSED TO A COMPETITIVE GRANT PROGRAM. SUCH A DISTRIBUTION SYSTEM COULD MAKE FUNDING AVAILABLE TO STATES AND LOCAL GOVERNMENTS ON A PREDICTABLE BASIS AND AS A COMPANION TO THEIR COMMUNITY DEVELOPMENT BLOCK GRANTS.

PREDICTABILITY OF FUNDING VIA A BLOCK GRANT WOULD ENABLE MORE EFFECTIVE PLANNING AND IS FULLY CONSISTENT WITH THE IDEA OF FLEXIBILITY WHICH THE CHAIRMAN STRESSED IN INTRODUCING THE BILL.

IN SUMMARY, MR. CHAIRMAN, WE SALUTE YOU AND THE MEMBERS OF THIS SUBCOMMITTEE FOR YOUR LEADERSHIP IN MAINTAINING THE FEDERAL COMMITMENT TO LOW INCOME HOUSING. WE ARE EAGER TO JOIN WITH YOU IN CONVINCING CONGRESS TO DO THE SAME.

Mr. FRANK [presiding]. Councilwoman Keeton, the chairman went to meet a quorum by way of the House of the Democratic caucus; he will be returning.

We will move on to our next witness now, Mayor Primas.

STATEMENT OF HON. MELVIN R. PRIMAS, JR., MAYOR OF CAMDEN, N.J.

Mayor PRIMAS. Thank you. This is to the acting chairman and the members of this subcommittee; I am Melvin Primas, the mayor of the city of Camden, and I appreciate the opportunity to appear before you today, to testify on H.R. 5731, the Housing and Community Development Amendments of 1982 and related proposals.

I would also like to share with the subcommittee my views and concerns about several other vital housing issues that deeply affect the cities of this country, including my own city, Camden, N.J.

At the outset, permit me to commend the chairman of this committee, Mr. Gonzalez, for the leadership he is providing on the serious and complicated issue of housing. I also wish to commend the members of this subcommittee that have joined as cosponsors of H.R. 5731 for their active support of this legislation.

HR. 5731 is much more than a purely technical legislative proposal providing for the distribution of funds among a number of housing programs.

This legislation is also an important symbol to millions of Americans who cannot now afford to buy or rent a decent home. It affirms that in the U.S. Congress, there are still men and women who have the conscience, courage, and commitment to issue a legislative declaration of independence from an economic policy which has brought ruin to America's housing industry, which has brought the mortgage banking industry to the brink of disaster, which has all but destroyed the American dream of homeownership, and which has filled the lives of the poor and the homeless with fear and despair.

It is my sincere hope that the evolution of this legislative symbol into statutory substance will be marked with a deepening and broadening of congressional concern and commitment to the poor and the elderly, and the millions of Americans who are struggling against almost insurmountable odds to lift themselves and their families out of the abyss of poverty. If we are to be known as a civilized society, we cannot turn our backs on the less fortunate just because the word "poor" is not currently fashionable.

I would remind the members of this subcommittee that the "low-income" strata of our society is probably the fastest-growing segment of our population—thanks to our economic recession and accompanying unemployment crisis. Along with other appropriate assistance, these Americans need and deserve decent shelter, and they are looking to this subcommittee to be the champion of their housing needs.

Mr. Chairman, my perspectives on the housing problem, and on the relative merit of the various housing proposals under considertaion by this subcommittee, are shaped by what I see and what I must deal with in the city of Camden. As mayor of one of New Jersey's largest cities, I look out over a virtual sea of human problems.

I doubt that any other city in the United States can claim to have a more serious housing problem than the city of Camden, given relative figures for numbers and condition of existing housing stock and population of low- and moderate-income residents.

Substandard housing represents one-third of all housing in the city of Camden, and almost half of all of the rental housing.

Vacant units represent nearly 20 percent of all housing stock in the city, and 90 percent of these vacancies are substandard. I should add that the term "substandard" does not begin to describe the deplorable conditions of these houses.

You may as well ask, "What has the city of Camden been doing to try to come to grips with this terrible housing problem?"

And my answer is "Everything humanly possible, given the limited funds made available for such purposes, and given the serious nature of the city's unemployment and other economic problems." In order to give you a better understanding of what kind of economic problems I am talking about, permit me to cite three depressing statistics: Between 1950 and 1978, we lost 75 percent of our manufacturing jobs; between 1958 and 1972, we lost 50 percent of our retail establishments; and the city's unemployment rate is currently in excess of 20 percent.

Yet, despite these problems, Camden has undertaken a very respectable effort to substantially rehabilitate and recycle its vacant housing stock, and to construct new low-moderate multifamily units.

This rehabilitation and construction has been working in the right direction, by making slow but steady improvements in the supply and quality of housing stock for low- and moderate-income citizens in my community. It has also been generating employment in the local construction industry, and stimulating local sales of construction supplies and materials. And, our efforts have also produced some modest gains in the local tax base.

We have been fighting an uphill battle to save our city, and the ground that we have won back from the forces of economic decline is measured by inches—and not in miles—but it is precious ground to us because it is home.

Now, we are facing the prospect of having that hard-won ground cut out from under us.

The administration's fiscal year 1983 budget proposal calls for elimination of funding for new construction and substantial rehabilitation under section 8, elimination of funding for public housing construction, elimination of funding for rehabilitation under section 312, and rescission of fiscal year 1982 budget authority for over 75,000 section 8 units for which funds have been committed. Obviously, the adoption of this budget proposal would have a devastating impact upon cities such as Camden.

As the subcommittee is aware, the administration's proposal has been strongly opposed in many quarters. Just yesterday, the Mortgage Bankers Association of America urged this subcommittee to reject the administration's proposed rescission of fiscal year 1982 section 8 funds. In addition, the National Housing Conference has adopted a series of strongly worded resolutions condemning the administration's wholesale abandonment of efforts to provide affordable housing for the majority who are shut out of the housing

market today. On behalf of the city of Camden, I, too, must strongly oppose the administration's budget proposal.

I have carefully analyzed the administration's counter-proposal to implement a voucher program as a substitute for subsidized production and rehabilitation, and have concluded that while it may play a useful role in a national housing program, it cannot serve as the single answer to our multiple-housing problems.

I might note that my concern about the potential effectiveness of a voucher program is shared by the General Accounting Office, which issued a report in February of this year on the recommendations of the President's Commission on Housing.

One of the questions raised for congressional consideration by the GAO was: Is there sufficient existing housing stock for a housing assistance grant program to work effectively and how would supply affect participation?

The GAO concluded that the existence of sufficient rental housing stock is crucial to the ultimate success of the proposed voucher program. And the GAO noted that a rental housing shortage exists in many areas of the country. Therefore, one can conclude that such a program would not be enormously successful in a city like Camden which has a very limited supply of decent rental housing. The General Accounting Office also noted that a shortage of standard quality housing in a locality would also have the effect of inhibiting participation by driving up the cost of such housing.

I would also like to point out another practical consideraton which would put a damper on the administration's assumption that the availability of vouchers will stimulate rental housing production. Any potential producer of rental housing would have to secure financing for his or her project. Under the section 8 program, the developer would approach a financial institution with a 15-year Federal commitment in hand. Under the voucher program, the developer could only claim to have, at most, a 1-year commitment from the holder of the voucher. I do not believe that such a short-term commitment, if it can even be called that, would be enough to satisfy a lending institution that a proposed project will be economically viable.

Now, I am not saying that vouchers should be rejected out of hand. In the right kind of rental market, they would have a very appropriate role to play. However, I would ask the subcommittee to carefully review the proposed voucher program to determine what kind of role it should have in a comprehensive and balanced national housing program that includes other assistance options.

Mr. Chairman, I have also carefully analyzed Senator Lugar's proposal, which would provide approximately $5 billion in funding for a mortgage interest reduction program. As is the case with the proposed voucher program, this proposal could play an appropriate role in a national housing policy, but it does not represent the single answer to our housig problems because it does not address itself to the shortage of affordable rental housing.

Senator Dodd has addressed that problem in an imaginative way in S. 2171. I might note that Congressman Schumer, who serves on this subcommittee, has introduced companion legislation in the House of Representatives. Both Senator Dodd and Congressman Schumer are to be commended for their efforts in developing legis-

lation designed to respond to the critical need to rehabilitate and develop affordable multifamily rental housing.

Of course, the best of all possible worlds would be to combine both the Lugar and Dodd/Schumer approaches in a balanced way, and add other components specifically addressing other aspects of our complex national housing problem.

Thankfully, that combined and balanced approach has been taken by the chairman of this subcommittee, and is reflected in the provisions of H.R. 5731.

Mr. Chairman, I commend and support your comprehensive legislation and the balanced approach that it takes to address the multiple housing problems of this nation. However, I would ask that this subcommittee consider the possible addition of the following:

A higher authorization level for the multifamily production assistance program under title II that would reflect a balanced mix between multifamily and home ownership production incentives;

An increase in the proportion of low- and moderate-income units to be included in any assisted multifamily construction project;

An increase in the number of years that assisted housing units would be reserved for low- and moderate-income families; Provide for a smooth transition from new and substantial rehabilitation section 8 programs to new multifamily housing production assistance grants;

Provide existing public housing projects with sufficient operating and maintenance funding, at least equal to fiscal year 1982 levels;

Consider some form of targeted incentives for inner-city rental housing production, such as a targeted tax credit; and

Undertake a consumer voucher program, funded at a realistic level, on an experimental basis. Such an experimental voucher program should include authorization for multiyear vouchers so that landlords and developers will truly have an incentive to undertake rental housing construction or rehabilitation.

Mr. Chairman, I would also ask the members of this subcommittee to carefully consider the thoughtful remarks that were made yesterday by Mr. Willard Gourley on behalf of the Mortgage Bankers Association of America, regarding the defense budget proposals advanced by the administration. I share Mr. Gourley's deep concern about the potentially disastrous impact of the defense budget on our national economy.

I know that this subcommittee does not have jurisdiction over proposed defense outlays, but as Members of the House of Representatives, each and every member of this subcommittee will have a voice and a vote on this extremely important issue.

Calculations performed by my staff indicate that a 1-percent cut in the defense budget could make possible a 25-percent increase in the amount of funding available for national housing programs. I would ask the members of this subcommittee to keep that thought in mind as the budget debate unfolds in the Congress.

As public officials sworn to uphold the Constitution of the United States, you and I have a responsibility to all of the people. And, I might add, that we have a special responsibility to the less privileged members of our society. That special responsibility includes providing moral leadership in times like these, when some claim

that we have to sacrifice the most basic needs of the less fortunate in order to rebuild our defense capability. If we retreat from the most basic standards of human decency, what will we have left that is worth defending?

Mr. Chairman, permit me once again to commend you and your cosponsors for taking a moral as well as a legislative stand. You have my appreciation and my support and my respect.

Thank you, very much.

[Mayor Primas' prepared statement follows:]

STATEMENT OF

THE HONORABLE MELVIN R. PRIMAS, JR.,

MAYOR OF CAMDEN, NEW JERSEY

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY TO TESTIFY ON H.R. 5731, "THE HOUSING AND COMMUNITY DEVELOPMENT AMENDMENTS OF 1982", AND RELATED PROPOSALS. I WOULD ALSO LIKE TO SHARE WITH THE SUBCOMMITTEE MY VIEWS AND CONCERNS ABOUT SEVERAL OTHER VITAL HOUSING ISSUES THAT DEEPLY AFFECT THE CITIES OF THIS COUNTRY, INCLUDING MY OWN CITY - CAMDEN, NEW JERSEY.

AT THE OUTSET, MR. CHAIRMAN, PERMIT ME TO COMMEND YOU FOR THE LEADERSHIP YOU ARE PROVIDING ON THE SERIOUS AND COMPLICATED ISSUE OF HOUSING. I ALSO WISH TO COMMEND THE MEMBERS OF THIS SUBCOMMITTEE THAT HAVE JOINED AS COSPONSORS TO H.R. 5731, FOR THEIR ACTIVE SUPPORT OF THIS LEGISLATION.

H.R. 5731 IS MUCH MORE THAN A PURELY TECHNICAL LEGISLATIVE PROPOSAL PROVIDING FOR THE DISTRIBUTION OF FUNDS AMONG A NUMBER OF HOUSING PROGRAMS.

THIS LEGISLATION IS ALSO AN IMPORTANT SYMBOL TO MILLIONS OF AMERICANS WHO CANNOT NOW AFFORD TO BUY OR RENT A DECENT HOME. IT AFFIRMS THAT IN THE U.S. CONGRESS, THERE ARE STILL MEN AND WOMEN WHO HAVE THE CONSCIENCE, COURAGE AND COMMITMENT TO ISSUE A LEGISLATIVE DECLARATION OF INDEPENDENCE FROM AN ECONOMIC POLICY WHICH HAS BROUGHT RUIN TO AMERICA'S HOUSING INDUSTRY, WHICH HAS BROUGHT THE MORTGAGE BANKING INDUSTRY TO THE BRINK OF DISASTER, WHICH HAS ALL BUT DESTROYED THE AMERICAN DREAM OF HOME OWNERSHIP, AND WHICH HAS FILLED THE LIVES OF THE POOR AND THE HOMELESS WITH FEAR AND DESPAIR.

IT IS MY SINCERE HOPE THAT THE EVOLUTION OF THIS LEGISLATIVE SYMBOL INTO STATUTORY SUBSTANCE WILL BE MARKED WITH A DEEPENING AND BROADENING OF CONGRESSIONAL CONCERN AND COMMITMENT TO THE POOR AND

THE ELDERLY, AND THE MILLIONS OF AMERICANS WHO ARE STRUGGLING AGAINST ALMOST INSURMOUNTABLE ODDS TO LIFT THEMSELVES AND THEIR FAMILIES OUT OF THE ABYSS OF POVERTY. IF WE ARE TO BE KNOWN AS A CIVILIZED SOCIETY, WE CANNOT TURN OUR BACKS ON THE LESS FORTUNATE JUST BECAUSE THE WORD "POOR" IS NOT CURRENTLY FASHIONABLE. I WOULD REMIND THE MEMBERS OF THIS SUBCOMMITTEE THAT THE "LOW-INCOME" STRATA OF OUR SOCIETY IS PROBABLY THE FASTEST-GROWING SEGMENT OF OUR POPULATION -- THANKS TO OUR ECONOMIC RECESSION AND ACCOMPANYING UNEMPLOYMENT CRISIS. ALONG WITH OTHER APPROPRIATE ASSISTANCE, THESE AMERICANS NEED AND DESERVE DECENT SHELTER, AND THEY ARE LOOKING TO THIS SUBCOMMITTEE TO BE THE CHAMPION OF THEIR HOUSING HOPES.

MR. CHAIRMAN, MY PERSPECTIVES ON THE HOUSING PROBLEM, AND ON THE RELATIVE MERIT OF THE VARIOUS HOUSING PROPOSALS UNDER CONSIDERATION BY THIS SUBCOMMITTEE, ARE SHAPED BY WHAT I SEE AND WHAT I MUST DEAL WITH IN THE CITY OF CAMDEN. AS MAYOR OF ONE OF NEW JERSEY'S LARGEST CITIES, I LOOK OUT OVER A VIRTUAL SEA OF HUMAN PROBLEMS -- INCLUDING THE SHAMEFUL LACK OF DECENT SHELTER.

I DOUBT THAT ANY OTHER CITY IN THE UNITED STATES CAN CLAIM TO HAVE A MORE SERIOUS HOUSING PROBLEM THAN THE CITY OF CAMDEN, GIVEN RELATIVE FIGURES FOR NUMBERS AND CONDITION OF EXISTING HOUSING STOCK AND POPULATION OF LOW AND MODERATE INCOME RESIDENTS.

SUBSTANDARD HOUSING REPRESENTS <u>ONE-THIRD</u> OF <u>ALL</u> HOUSING IN THE CITY OF CAMDEN, AND ALMOST <u>HALF</u> OF ALL <u>RENTAL HOUSING</u>.

<u>VACANT UNITS</u> REPRESENT NEARLY <u>20%</u> OF <u>ALL</u> HOUSING STOCK IN THE CITY, AND <u>90%</u> OF THESE VACANCIES ARE <u>SUBSTANDARD</u>. I SHOULD ADD THAT

THAT THE TERM "SUBSTANDARD" DOES NOT BEGIN TO DESCRIBE THE DEPLORABLE CONDITION OF THESE HOUSES.

YOU MAY WELL ASK, " WHAT HAS THE CITY OF CAMDEN BEEN DOING TO TRY TO COME TO GRIPS WITH THIS TERRIBLE HOUSING PROBLEM?"

AND MY ANSWER IS "EVERYTHING HUMANLY POSSIBLE, GIVEN THE LIMITED FUNDS MADE AVAILABLE FOR SUCH PURPOSES, AND GIVEN THE SERIOUS NATURE OF THE CITY'S UNEMPLOYMENT AND OTHER ECONOMIC PROBLEMS". IN ORDER TO GIVE YOU A BETTER UNDERSTANDING OF WHAT KIND OF ECONOMIC PROBLEMS I AM TALKING ABOUT, PERMIT ME TO CITE THREE DEPRESSING STATISTICS:

- BETWEEN 1950 AND 1978, WE LOST 75% OF OUR MANUFACTURING JOBS;
- BETWEEN 1958 AND 1972, WE LOST 50% OF OUR RETAIL ESTABLISHMENTS; AND
- THE CITY'S UNEMPLOYMENT RATE IS CURRENTLY IN EXCESS OF 20%.

YET DESPITE THESE PROBLEMS, CAMDEN HAS UNDERTAKEN A VERY RESPECTABLE EFFORT TO SUBSTANTIALLY REHABILITATE AND RECYCLE ITS VACANT HOUSING STOCK, AND TO CONSTRUCT NEW LOW-MODERATE MULTI-FAMILY UNITS.

THIS REHABILITATION AND CONSTRUCTION HAS BEEN WORKING IN THE RIGHT DIRECTION, BY MAKING SLOW BUT STEADY IMPROVEMENTS IN THE SUPPLY AND QUALITY OF HOUSING STOCK FOR LOW AND MODERATE-INCOME CITIZENS IN MY COMMUNITY. IT HAS ALSO BEEN GENERATING EMPLOYMENT IN THE LOCAL CONSTRUCTION INDUSTRY, AND STIMULATING LOCAL SALES OF CONSTRUCTION SUPPLIES AND MATERIALS. AND, OUR EFFORTS HAVE ALSO PRODUCED SOME MODEST GAINS IN THE LOCAL TAX BASE.

WE HAVE BEEN FIGHTING AN UPHILL BATTLE TO SAVE OUR CITY, AND THE GROUND THAT WE HAVE WON BACK FROM THE FORCES OF ECONOMIC DECLINE

IS MEASURED IN INCHES -- AND NOT IN MILES -- BUT IT'S PRECIOUS GROUND TO US BECAUSE IT'S HOME.

NOW, WE ARE FACING THE PROSPECT OF HAVING THAT HARD-WON GROUND CUT OUT FROM UNDER US.

THE ADMINISTRATION'S FISCAL YEAR 1983 BUDGET PROPOSAL CALLS FOR ELIMINATION OF FUNDING FOR NEW CONSTRUCTION AND SUBSTANTIAL REHABILIATION UNDER SECTION 8, ELIMINATION OF FUNDING FOR PUBLIC HOUSING CONSTRUCTION, ELIMINATION OF FUNDING FOR REHABILITATION UNDER SECTION 312, AND RECISSION OF FISCAL YEAR 1982 BUDGET AUTHORITY FOR 75,000 SECTION 8 UNITS FOR WHICH FUNDS HAVE BEEN COMMITTED. OBVIOUSLY, THE ADOPTION OF THIS BUDGET PROPOSAL WOULD HAVE A DEVASTATING IMPACT UPON CITIES SUCH AS CAMDEN.

AS THE SUBCOMMITTEE IS AWARE, THE ADMINISTRATION'S PROPOSAL HAS BEEN STRONGLY OPPOSED IN MANY QUARTERS. JUST YESTERDAY, THE MORTGAGE BANKERS ASSOCIATION OF AMERICA URGED THIS SUBCOMMITTEE TO REJECT THE ADMINISTRATION'S PROPOSED RESCISSION OF FISCAL YEAR 1982 SECTION 8 FUNDS. IN ADDITION, THE NATIONAL HOUSING CONFERENCE HAS ADOPTED A SERIES OF STRONGLY-WORDED RESOLUTIONS CONDEMNING THE ADMINISTRATION'S WHOLESALE ABANDONMENT OF EFFORTS TO PROVIDE AFFORDABLE HOUSING FOR THE MAJORITY WHO ARE SHUT OUT OF THE HOUSING MARKET TODAY. ON BEHALF OF THE CITY OF CAMDEN, I, TOO, MUST STRONGLY OPPOSE THE ADMINISTRATION'S BUDGET PROPOSAL.

I HAVE CAREFULLY ANALYZED THE ADMINISTRATION'S COUNTER-PROPOSAL TO IMPLEMENT A VOUCHER PROGRAM AS A SUBSTITUTE FOR SUBSIDIZED PRODUCTION AND REHABILITATION, AND HAVE CONCLUDED THAT WHILE IT MAY PLAY A USEFUL ROLE IN A NATIONAL HOUSING PROGRAM, IT CANNOT SERVE AS THE SINGLE ANSWER TO OUR MULTIPLE-HOUSING PROBLEMS.

I MIGHT NOTE THAT MY CONCERN ABOUT THE POTENTIAL EFFECTIVENESS OF A VOUCHER PROGRAM IS SHARED BY THE GENERAL ACCOUNTING OFFICE, WHICH ISSUED A REPORT IN FEBRUARY OF THIS YEAR ON THE RECOMMENDATIONS OF THE PRESIDENT'S COMMISSION ON HOUSING.

ONE OF THE QUESTIONS RAISED FOR CONGRESSIONAL CONSIDERATION BY THE GAO WAS: "IS THERE SUFFICIENT EXISTING HOUSING STOCK FOR A HOUSING ASSISTANCE GRANT PROGRAM TO WORK EFFECTIVELY AND HOW WOULD SUPPLY AFFECT PARTICIPATION?"

THE GAO CONCLUDED THAT THE EXISTENCE OF SUFFICIENT RENTAL HOUSING STOCK IS CRUCIAL TO THE ULTIMATE SUCCESS OF THE PROPOSED VOUCHER PROGRAM. AND, THE GAO NOTED THAT A RENTAL HOUSING SHORTAGE EXISTS IN MANY AREAS OF THE COUNTRY. THEREFORE, ONE CAN CONCLUDE THAT SUCH A PROGRAM WOULD NOT BE ENORMOUSLY SUCCESSFUL IN A CITY LIKE CAMDEN WHICH HAS A VERY LIMITED SUPPLY OF DECENT RENTAL HOUSING. THE GENERAL ACCOUNTING OFFICE ALSO NOTED THAT A SHORTAGE OF STANDARD QUALITY RENTAL HOUSING IN A LOCALITY WOULD ALSO HAVE THE EFFECT OF INHIBITING PARTICIPATION BY DRIVING UP THE COST OF SUCH HOUSING.

I WOULD ALSO LIKE TO POINT OUT ANOTHER PRACTICAL CONSIDERATION WHICH WOULD PUT A DAMPER ON THE ADMINISTRATION'S ASSUMPTION THAT THE AVAILABILITY OF VOUCHERS WILL STIMULATE RENTAL HOUSING PRODUCTION. ANY POTENTIAL PRODUCER OF RENTAL HOUSING WOULD HAVE TO SECURE FINANCING FOR HIS OR HER PROJECT. UNDER THE SECTION 8 PROGRAM, THE DEVELOPER WOULD APPROACH A FINANCIAL INSTITUTION WITH A 15-YEAR FEDERAL COMMITMENT IN HAND. UNDER THE VOUCHER PROGRAM, THE DEVELOPER COULD ONLY CLAIM TO HAVE, AT THE MOST, A ONE-YEAR COMMITMENT FROM THE HOLDER OF THE VOUCHER. I DO NOT BELIEVE THAT SUCH A SHORT-TERM COMMITMENT, — IF IT CAN EVEN BE CALLED THAT, WOULD BE ENOUGH TO SATISFY A LENDING

INSTITUTION THAT A PROPOSED PROJECT WILL BE ECONOMICALLY VIABLE.

NOW, I AM NOT SAYING THAT VOUCHERS SHOULD BE REJECTED OUT OF HAND. IN THE RIGHT KIND OF RENTAL MARKET, THEY WOULD HAVE A VERY APPROPRIATE ROLE TO PLAY. HOWEVER, I WOULD ASK THE SUBCOMMITTEE TO CAREFULLY REVIEW THE PROPOSED VOUCHER PROGRAM TO DETERMINE WHAT KIND OF ROLE IT SHOULD HAVE IN A COMPREHENSIVE AND BALANCED NATIONAL HOUSING PROGRAM THAT INCLUDES OTHER ASSISTANCE OPTIONS.

MR. CHAIRMAN, I HAVE ALSO CAREFULLY ANALYZED SENATOR LUGAR'S PROPOSAL, WHICH WOULD PROVIDE APPROXIMATELY $5 BILLION IN FUNDING FOR A MORTGAGE INTEREST REDUCTION PROGRAM. AS IS THE CASE WITH THE PROPOSED VOUCHER PROGRAM, THIS PROPOSAL COULD PLAY AN APPROPRIATE <u>ROLE</u> IN A NATIONAL HOUSING POLICY, BUT IT DOES NOT REPRESENT THE SINGLE ANSWER TO OUR HOUSING PROBLEMS BECAUSE IT DOES NOT ADDRESS ITSELF TO THE SHORTAGE OF AFFORDABLE <u>RENTAL</u> HOUSING.

SENATOR DODD HAS ADDRESSED <u>THAT</u> PROBLEM IN AN IMAGINATIVE WAY IN S. 2171. I MIGHT NOTE THAT CONGRESSMAN SCHUMER, WHO SERVES ON THIS SUBCOMMITTEE, HAS INTRODUCED COMPANION LEGISLATION IN THE HOUSE OF REPRESENTATIVES. BOTH SENATOR DODD AND CONGRESSMAN SCHUMER ARE TO BE COMMENDED FOR THEIR EFFORTS IN DEVELOPING LEGISLATION DESIGNED TO RESPOND TO THE CRITICAL NEED TO REHABILITATE AND DEVELOP AFFORDABLE MULTI-FAMILY RENTAL HOUSING.

OF COURSE, THE BEST OF ALL POSSIBLE WORLDS WOULD BE TO COMBINE BOTH THE LUGAR AND DODD/SCHUMER APPROACHES IN A BALANCED WAY, AND ADD OTHER COMPONENTS SPECIFICALLY ADDRESSING OTHER ASPECTS OF OUR COMPLEX NATIONAL HOUSING PROBLEM.

THANKFULLY, THAT COMBINED AND BALANCED APPROACH HAS BEEN TAKEN BY THE CHAIRMAN OF THIS SUBCOMMITTEE, AND IS REFLECTED IN THE PROVISIONS

OF H.R. 5731.

MR. CHAIRMAN, I COMMEND AND SUPPORT YOUR COMPREHENSIVE LEGISLATION AND THE BALANCED APPROACH THAT IT TAKES TO ADDRESS THE MULTIPLE HOUSING PROBLEMS OF THIS NATION. HOWEVER, I WOULD ASK THAT THIS SUBCOMMITTEE CONSIDER THE POSSIBLE ADDITION OF THE FOLLOWING:

- A HIGHER AUTHORIZATION LEVEL FOR THE MULTI-FAMILY PRODUCTION ASSISTANCE PROGRAM UNDER TITLE II THAT WOULD REFLECT A BALANCED MIX BETWEEN MULTI-FAMILY AND HOME OWNERSHIP PRODUCTION INCENTIVES;
- AN INCREASE IN THE PROPORTION OF LOW-MODERATE INCOME UNITS TO BE INCLUDED IN ANY ASSISTED MULTI-FAMILY CONSTRUCTION PROJECT;
- AN INCREASE IN THE NUMBER OF YEARS THAT ASSISTED HOUSING UNITS WOULD BE RESERVED FOR LOW-MODERATE INCOME FAMILIES;
- PROVIDE FOR A SMOOTH TRANSITION FROM NEW AND SUBSTANTIAL REHABILITATION SECTION 8 PROGRAMS TO NEW MULTI-FAMILY HOUSING PRODUCTION ASSISTANCE GRANTS;
- PROVIDE EXISTING PUBLIC HOUSING PROJECTS WITH SUFFICIENT OPERATING AND MAINTENANCE FUNDING, AT LEAST EQUAL TO FISCAL YEAR 1982 LEVELS;
- CONSIDER SOME FORM OF TARGETED INCENTIVES FOR INNER-CITY RENTAL HOUSING PRODUCTION, SUCH AS A TARGETED TAX CREDIT;
- UNDERTAKE A CONSUMER VOUCHER PROGRAM, FUNDED AT A REALISTIC LEVEL, ON AN EXPERIMENTAL BASIS. SUCH

AN EXPERIMENTAL VOUCHER PROGRAM SHOULD INCLUDE AUTHORIZATION FOR MULTI-YEAR VOUCHERS SO THAT LANDLORDS AND DEVELOPERS WILL TRULY HAVE AN INCENTIVE TO UNDERTAKE RENTAL HOUSING CONSTRUCTION OR REHABILITATION.

MR. CHAIRMAN, I WOULD ALSO ASK THE MEMBERS OF THIS SUBCOMMITTEE TO CAREFULLY CONSIDER THE THOUGHTFUL REMARKS THAT WERE MADE YESTERDAY BY MR. WILLARD GOURLEY ON BEHALF OF THE MORTGAGE BANKERS ASSOCIATION OF AMERICA, REGARDING THE DEFENSE BUDGET PROPOSALS ADVANCED BY THE ADMINISTRATION. I SHARE MR. GOURLEY'S DEEP CONCERN ABOUT THE POTENTIALLY DISASTROUS IMPACT OF THE DEFENSE BUDGET ON OUR NATIONAL ECONOMY.

I KNOW THAT THIS SUBCOMMITTEE DOES NOT HAVE JURISDICTION OVER PROPOSED DEFENSE OUTLAYS, BUT AS MEMBERS OF THE HOUSE OF REPRESENTATIVES, EACH AND EVERY MEMBER OF THIS SUBCOMMITTEE WILL HAVE A VOICE AND A VOTE ON THIS EXTREMELY IMPORTANT ISSUE.

CALCULATIONS PERFORMED BY MY STAFF INDICATE THAT A 1% CUT IN THE DEFENSE BUDGET COULD MAKE POSSIBLE A 25% INCREASE IN THE AMOUNT OF FUNDING AVAILABLE FOR NATIONAL HOUSING PROGRAMS. I WOULD ASK THE MEMBERS OF THIS SUBCOMMITTEE TO KEEP THAT THOUGHT IN MIND AS THE BUDGET DEBATE UNFOLDS IN THE CONGRESS.

AS PUBLIC OFFICIALS SWORN TO UPHOLD THE CONSTITUTION OF THE UNITED STATES, YOU AND I HAVE A RESPONSIBILITY TO ALL THE PEOPLE. AND, I MIGHT ADD, THAT WE HAVE A SPECIAL RESPONSIBILITY TO THE LESS PRIVILEGED MEMBERS OF OUR SOCIETY. THAT SPECIAL RESPONSIBILITY INCLUDES PROVIDING MORAL LEADERSHIP IN TIMES LIKE THESE, WHEN SOME CLAIM THAT WE HAVE TO SACRIFICE THE MOST BASIC NEEDS OF THE LESS FORTUNATE IN ORDER TO REBUILD OUT DEFENSE CAPABILITY. IF WE RETREAT FROM THE MOST BASIC STANDARDS OF HUMAN DECENCY, WHAT WILL WE HAVE LEFT THAT IS WORTH DEFENDING?

MR. CHAIRMAN, PERMIT ME ONCE AGAIN TO COMMEND YOU AND YOUR COSPONSORS FOR TAKING A MORAL AS WELL AS A LEGISLATIVE STAND. YOU HAVE MY APPRECIATION AND MY SUPPORT AND MY RESPECT.

THANK YOU VERY MUCH.

Chairman GONZALEZ. Thank you, Mayor, very much.

We will proceed under the 5-minute rule. The only real question, basically that I have, is one that I raised yesterday with one of the panelists. And that is if your organizations, or you individually, have had a chance to analzye the legal impact of this attempt to shift from the Federal level to the State level some of these programs. For example, what happens to the legal responsibility in the case of displaced persons, or businesses?

In the Compensation Act on the Federal level, that I am particularly interested in because I was the author of that amendment in the 1965 Omnibus Housing Act, which gave rise to, what at first we called the demonstration cities, and became Model Cities, which succeeded in my jurisdiction. And there was a tremendous need, then, to try to bring some justice in the compensation laws for the people and businesses who were being displaced because of Federal progams, whether they were highway programs, or whether they were exercising imminent domain because of some community improvements, or housing projects. There was a great injustice for decades, as I think that you will recall.

And we tried to do a little bit, and we did improve some, but now apparently the question has arisen again. If say, the major thrust of these community development block grants and the related programs are transferred, what happens to the array or the structure of compensation to try to equalize or bring back to full integrity those persons or individuals, or groups, that suffered a loss because of relocation?

There is some serious question that we cannot translate that responsibility, or whether the Federal array of protection in that respect could be coequally transferred with the programs.

Have any of you any knowledge as to the evaluation of that from a legal standpoint, by your staff? And let me say that Mr. Murphy, who is the executive secretary, I believe, of the counties' organization, we ought to introduce him. Mr. Murphy, will you stand and take a bow, because I do want to say that he, and some of the other aides and assistants and executive directors that are here, have helped to formulate this bill, and I want to thank you for your support of it. It is so crucial and needed at this time, that I must say, for the record, that it reflects the needs and in turn reflected by your very valuable staff.

This was drafted only after long hours of consultation by the staff of the subcommittee and your staffs and also some local officials, as well as the expertise from some of the organizations that testified yesterday, the homebuilders, for instance, who have tremendous assets in their economic staffs, and their economic experts.

We must remember that the President only gave us, in very broad and general outline his new federalism. We have been promised the nuts and bolts of it, but have not as yet received it.

Now, these are problems that must be considered, integral with the whole package, and I was just wondering if you had some evaluation or chance to evaluate that?

Mayor Thomas?

Mayor THOMAS. Mr. Chairman, I would like to recognize Barry Zigas of the Conference of Mayors who is a very smart man and has a great grasp of these things.

Let me share with you an experience that we had in Norfolk. There was a private housing development of some 1,500 units which had deteriorated so badly that it was not rehabilitatable, and the private owners wanted to dispose of the property. The rents were down to $150 to $200 a month there. The city always needs property for industrial uses, and our big industrial park had just about been exhausted at this particular time. The housing units were under the flight path of our airport and so there were environmental noise problems involved in putting housing back there and we needed industrial land.

We were also worried about what would happen to the tenants, under a private transaction, in phasing out this, or in doing away with, or in selling this particular property. So the city bought this property to take care of those municipal goals, to get more industrial property and to help phase the property out so that the tenants would receive the best treatment possible.

Unfortunately, we did not have any funds with which to offer any extensive relocation. And we got involved in a legal battle with the tenants' organization. And the ultimate result was a settlement with HUD where we got some section 8 units, 300, on our promise to use our best efforts to match that on a 20- to 80-percent ratio for market rate housing.

Well, we went through a pretty tough political process over all of this and had to face up to the problems of relocation where there was no Federal responsibility or any Federal programs to help us with it. And frankly the tenants did not come out too well on this.

We actually acquired the property in three phases and allowed the tenants to shift around and this particular housing unit had a 60-percent turnover per year anyway, and many of the people that lived there were Navy people that were coming and going, or sitting there, waiting until they could find other housing.

We have taken two phases of that now, and the third phase is still occupied. And we really are going to have a very tough time in relocating those people now, especially in view of the tight rental market in our area. We are squeezed between that and the fact the property is deteriorating and there is not much sense in spending money when we are going to phase it out.

So that is the type of problem that cities are going to have to deal with if they phase out their public housing and these other things that have been proposed, or suggested.

So, my answer to your question is, I do not know what the legal implications are but I am sure that there will be litigation as these things come about, without the same sort of relocation support that we have had in the Federal programs.

Ms. REYNOLDS. If I might, Mr. Chairman?

Chairman GONZALEZ. Yes, Ms. Reynolds?

Ms. REYNOLDS. The relocation payments made now, through a variety of programs have been one of the things that made the programs acceptable, and I think all of our communities, whether through Model Cities down to the things that are being done today, were made possible to a great extent by the fact that there is a

commitment there, to make sure that the people who have to be displaced, for the larger public good, are not left out on the street, with their belongings around them but are provided either, comparable housing, specifically, or payments of another type, or if it is a small business, to allow them to reestablish themselves in the community.

The only information that the National League of Cities has that I am aware of at the moment, is that there is a bill being drafted by the administration which would take community development and housing requirements out from under the Uniform Relocation Act and that is not something which our organization would feel comfortable accepting.

We have not analyzed the legal responsibility in the case of displaced persons or businesses if CDBG was shifted from the Federal level to the State level. In assessing the legal complications of doing that, we must ask how much liability, for example, would a local government have, and I think that most local governments in this country have come to accept Federal relocation assistance as part of doing business. The problems, of course, become economic. If localities decided to make the moral commitment to do what is right, that would severely restrict our abilities to do programs without the provision of Federal relocation assistance.

And I think that we would find ourselves in the same economic crunch that unfortunately Congress finds itself in.

Chairman GONZALEZ. Thank you, very much. That is very valuable. My time is expired. I am going to ask unanimous consent that in case later I do not have the opportunity to ask three other questions that I may be permitted to include them in the record in time for the transcript so that the panelists might answer them.

Mr. Stanton?

Mr. STANTON. Thank you, very much, Mr. Chairman, and gentlemen and ladies. Thank you, once again, for your testimony this morning.

I enjoyed listening to your testimony, realizing of course, who you represent in our cities and counties. I had the pleasure of being a member of the County Commissioners Association for 8 years, before I came to Congress.

Ms. KEETON. My children all grew up in Ohio, I spent 30 years in Ohio myself.

Mr. STANTON. Certainly, realizing the problems that the city of Camden has, I would have to say that it is similar somewhat to Cleveland. What has hit me though, is that once again, as we will have to stress, is the limited resources that we have to solve these problems, in the context of the housing bill.

And specifically, in really the only legislation before us at this time, the chairman's bill. You recognize, of course, that he has, I think, earmarked about $1.3 billion for a new multifamily program.

In listening to you, here, the thought passed through my mind, and I would like to at least get your impressions. Instead of the new multifamily program, if we would take maybe $1 billion of that $1.3 and add that to the community development block grant program, with the understanding that this money would either be added to the total and we make housing an eligible activity, or we

could even go further perhaps, and maybe, take this money and earmark it for housing, which you could include under your community development block grant.

My thought is fundamentally, in listening to you, and listening to the problems of Camden, that either for new housing or rehabilitation, you could utilize that money quicker and to better advantage than coming out in another all new program in which at the earliest, we would all admit, if we have one in December, we are doing well.

Certainly it is well into next year, before we could start this program and this is something that we could certainly get the results out quicker. I wish I could hear some comments from you, on thoughts like that. I know, Ms. Keeton, you had one little bit that alluded to it at least.

Ms. KEETON. Our comments were that, if there is to be a distribution, we would recommend that the committee consider providing a formula entitlement distribution of these funds. But that is not necessarily pooling it with too many other things. And we were concerned that one be able to plan ahead, to coordinate all of the other community efforts that really support healthy communities.

My personal concern is about giving it the flexibility of a block grant Program. That is important. In our own county, we have put substantially all of our block grant moneys to date into revitalizing the communities that were most in need of that and often directly into housing renovation.

But I think that the dollars have got to be there so that what we do not end up doing is have six responsibilities and funds for only two. So that there is the matter of maintaining the acknowledgment of the responsibility for housing and I cannot define the specifics of this, but would urge you not to let it be hidden and absorbed. To have to choose between the health and welfare in many different ways, is a very difficult choice, which you are making now, and we have to do constantly also. But I would hope that this committee, with its special responsibility for housing, would continue to leave that identified. We would be happy to work with you on a block grant pattern on that.

Mayor PRIMAS. I would be, I guess, concerned about the amount of dollars that would be available. In the city of Camden we receive a little over $4 million a year in community development funds, of which approximately 60 percent in the past has gone to housing rehabilitation.

And we have begun only to scratch the surface of the problem. So, that concept would require sufficient funding, I would think. And I would be concerned about the effect of it.

Mayor THOMAS. I think that generally is the position of the Conference of Mayors. We are worried that we are loading too much on the community development block grant program now. There should be some separate housing effort. But as you know, a great deal of the CD money is being used for housing now, in one way or another.

Ms. REYNOLDS. Mr. Stanton, I would like to echo, the statements of my colleague. My problem with that, first of all, the National League of Cities has had a very firm policy through my committee for the last several years, that the CD program should retain as

much integrity as we can manage to have it retain through all of these processes.

That it was developed and blessedly so, with some specific things in mind, housing being one component. But the whole community development aspect of that was the primary purpose. And most cities, including mine, are staffed toward that and we function through that whereas our housing component is substantially different.

Theoretically, you could take all Federal money, including this and put it under one local agency and say, go at it, and maybe there would just be a maxi revenue-sharing plan, which may in the future be the way to go. I do not know.

At this point in time, our housing needs are very specifically different than most communities and so are our community development needs. And I think that you would have to allocate money differently throughout the Nation to communities than you do on just CD. These CD formulas that we have now, through the entitlement cities and the other tracks it runs on, has been responsive to local CD needs. I would need some convincing, although obviously, that would be in your ball park to be convinced, and not mine, that it would simplify matters to any extent to do that.

I think that most communities in this nation have competent housing authorities, or whatever mechanism they use to do it. And the people use to dealing with those things need to be involved and would be involved regardless of how you would send the money through, whether it be a CD housing block grant or any other mechanism.

I think that the cities and counties in this Nation are more than open to looking at whatever avenues are going to be best for the future to keep that commitment to housing in this country.

Mr. STANTON. Let me conclude, by telling you to think about it. Because, I had the thought pass through my mind that $1.3 billion, I was told the other day, would only provide for about 12,000 units for low- and moderate-income families. The $1 billion would increase community development block grant funds by a third, and give you the flexibility to utilize that money, in addition to what you have got now, for rehabilitation, to utilize in housing.

So give it some thought before you turn it down out of hand. Let me start with the premise that neither one may be available. At the moment the odds are that neither one would be available. But a new program would not be in effect for a couple of years, and I am looking at something that might be quicker.

Think about it.

Chairman GONZALEZ. Excuse me for interrupting, I think that the record should show though that our projections for that $1.3 billion were not 12,000, but anywhere from 50,000 to 100,000 units. So I think that we ought to show that.

Mr. STANTON. I was talking about the 20 percent of that, which would be the low- and moderate-income units. But you are right on the total amount.

Chairman GONZALEZ. Mayor Thomas?

Mayor THOMAS. Just another point, Mr. Stanton. If you put those funds in the community development block grant program, I think that they could produce a certain number of units of housing, but

since that is discretionary, they could not produce that particular number.

And one problem that we have, and I think that it runs to most all Federal programs, is the whole matter of targeting versus universalization. We tend, I guess for political reasons, to universalize programs to get the support. We cover more people, so we put in more communities in the community development block grant program and into the EDA programs until finally, everybody is distressed and there is really no targeting.

What we need if we want to save money is to target better.

Mr. STANTON. I appreciate that. You are right. There would be no guarantee that there would be more housing built. But there would be a guarantee that the mayor of Camden, if he wanted the money for rehabilitation, which, as I am reading his testimony, is very important to him, would be there in addition to what is already there.

Chairman GONZALEZ. Once again, we are honored by the presence of the ranking member of this subcommittee and the chairman of the full committee, Mr. St Germain.

Mr. ST GERMAIN. Thank you, Mr. Chairman.

Ms. Reynolds, you mentioned in your statement that you are supportive of the 312 rehab loan program and that pleases me immensely. Now, we at the committee have learned that HUD is planning to restrict the use of 312 funds only to multifamily projects or to support urban homesteading programs.

Do you agree that 312 should be limited in that manner?

Ms. REYNOLDS. No, sir. It is the opinion of the National League of Cities that the 312 program which we feel, again, has been a very constructive one for many of our communities should not necessarily be limited as the proposal from HUD suggests.

We have had many experiences at the local level with Federal programs. Some have been awful. And some have been very good. And we have become very protective of those that have been very good. I do not see that the program as it has been delineated to date in terms of its eligibility has in any way failed to meet the needs that it was set up to do. We are not of the opinion that it should be further narrowed at this point.

Mr. ST GERMAIN. Mayor Primas, I think that maybe you should address this one, as well.

Mayor PRIMAS. Yes; I would not be supportive of it being restrictive. I think this has been a viable program, particularly in our city, and one that we should continue to have so that we would certainly not support that.

Mr. ST GERMAIN. Ms. Keeton?

Ms. KEETON. Thank you, I would concur. As I testified, I am chairing the Governor's housing task force for the State of Maryland, and have had an opportunity to learn about housing across the State. And we are finding that this rehab program has been effectively used in smaller rural counties as well as very effective, of course, in the Baltimore area.

Mr. ST GERMAIN. Mayor Thomas, I do not want to leave you out of this.

Mayor THOMAS. I would generally agree that we need as much flexibility and local discretion in these matters as possible. I think

that just knowing the difference between the current housing mix and the situation in Norfolk versus Camden you are bound to come to that conclusion that each city is different and each city needs to be able to formulate its own program.

We have been involved in this for 40 years and we figure that we are pretty good at knowing what we need and how to accomplish it. We just do not have the resources.

Mr. St Germain. Your replies are music to my ears. Thank you.

Chairman Gonzalez. Thank you, Mr. Chairman. Mr. Lundine?

Mrs. Roukema. Mr. Chairman?

Chairman Gonzalez. I beg your pardon. A while ago, I looked over and did not see our charming colleague. Mrs. Roukema?

Mrs. Roukema. Thank you, Mr. Chairman. Mayor Primas, as another fellow New Jerseyan, I would like to greet you. We come from opposite ends of the State. This is our first opportunity to meet. But I was most impressed by your testimony. I understand the problems of Camden and I think that you have advocated your position well.

Mayor Primas. Thank you.

Mrs. Roukema. I do not know if we can be as generous as you would like us to be. I share the problem for you and the other members of the panel. The problem that you quite correctly pointed out, regardless of the merits of the voucher system, and I think that there are many merits to a voucher system, it does not deal with the problem in areas such as yours, of the severe shortage of housing stock.

Mayor Primas. That is correct.

Mrs. Roukema. And I also am somewhat sympathetic to your point of view on the relationship to defense spending and what some modest reductions in the projections of that increase might mean. However, there are all kinds of competing interests for the scarce funds available—housing only being one.

For the panel in general, let me say, that I am most sympathetic with the statement that Mr. Stanton, our ranking Member has presented to you, for your consideration, and that is, given the reality of the scarce funds and given the sort of immediacy of the problem, I would urge and invite you to think carefully about the community development block grant concept.

Based upon my experience through assisted senior citizen housing, in my own community, and in my county where I worked on numerous boards, volunteer boards, nonprofit organizations, I know the failures, and the costly failures of present Federal programs, and I think that what we are trying to do here, is deliver more housing for more people given limited resources.

I think that the community development block grant program is one way of possibly getting more return for our dollars. Vouchers are another. But we are still left with the problem of increasing housing stock. I would like any of your comments on rehab programs and particularly what the three groups that were represented yesterday emphasized, and an area that is being widely discussed, the advantages of mortgage revenue bonds, as a part of a component of a new housing program.

Ms. Keeton. Yesterday, I had two calls, from people who did not make it in the tandem raffle that had projects that had been

planned for over 1 year that had received the allocations which are very much competed for in our general area. And we have also, as a county, approved industrial revenue bonds for them as security and backup.

But as they begun to look at what the market interest rates will be for those and we have also required them to keep a commitment to distribute the 20 percent required under the IRB's throughout all the bedroom sizes.

And one of them was calling to say that the arithmetic makes it very difficult to honor the three-bedroom units and our housing assistance plan makes it clear that we have accommodated a great many elderly people, very proudly. But we need also to accomodate families.

And we have tended to—you know it has been easier to do the elderly—politically and it has been important to do. But we cannot neglect the families. And many of these are families, are single-parent households with children and others that really need this.

So I think that the interest rates for IRB's, the arithmetic and construction, and I am talking about new construction now, for substantial rehab, make it difficult to carry out the programs that are, and I think that the emphasis in this legislation on GNMA continuing at a satisfactory level, really would make the marginal difference there.

We are willing to try and we are grateful for their commitment, but, at this point, nobody has used, and we have approved five of those, because we are so determined not to lose these projects. But I think that tandem is a better way to guarantee that the new construction happens.

Ms. Reynolds. If I might respond? I think that the key word that you used is component. Because that suggests that we are talking about a wide strategy to meet housing needs across the country.

I think that no one program, whether it be a voucher or a section 8 or anything else, can meet all of our needs or any of the various needs within an individual community. The city and county of Denver has used MRB's and are again using them to good effect.

It is a very small component of what we need and what we can do for housing, however. But it is not one that we would like to lose entirely, because it is something that we have been able to control through the local level. And which involves the private side. So it is not a straight deep subsidy across the board, but it involves private money and private commitment.

The reason that we are all here talking about Federal commitment to housing, is because housing is very expensive and becoming more so. And because there is no way that all of the individuals in our communities can make it on their own in terms of safe, adequate housing.

And there is also no way that a given community such as Denver, can with its limited resources, in terms of what we are allowed to do in raising tax dollars, meet either. And I guess the plug I am trying to make is for a continued Federal commitment of one kind or another. Not that it should not be adjusted as extraordinary times demand, but simply that this is not a program that, the housing program cannot be left entirely to State localities because we are also varied in terms of our resources to meet it.

And very often those communities with the greatest need in housing are the communities with the fewest resources to meet them. So whatever the Congress and the administration and the consortium of local governments end up recommending, I think that there has to be a base line commitment that as it has been for 45 years, housing is really a joint venture. A many legged stool, if you will, between the private sector, and the cities, and the counties, and the State, and the Federal Government.

And the drastic move we see from one of those legs, the Federal Government right now, is fine if that is what the times demand. But it is going to require money and patience and some time to allow the other members to catch up and figure out how we are going to make that balancing act give us a level stool for our peoples housing needs.

Mrs. ROUKEMA. Thank you, I am told my time has expired. But I would like your further comments and analysis of the community development block grant program.

Chairman GONZALEZ. Mr. Lundine?

Mr. LUNDINE. Thank you, Mr. Chairman. Ladies and gentlemen it is a delight to welcome you, who are at the action level of the Government, to give us your comments on the Nation's crisis in housing and community development.

I was conversing, the other day, with a fellow, that I consider to be one of the greatest experts on housing programs in America and he told me, half kiddingly I guess and half cynically, that there is an immutable rule about housing programs in this country. And that is that they last for only 7 years.

I am sorry the gentleman from Ohio, Mr. Stanton, is not here because he has got the kind of experience to confirm or deny that. But he went through the whole history of the program since 1949 and proved that we changed programs every 7 years. And if that is the case, we are due to change the program this year.

There is being discussed some alternatives to section 8. And indeed, you have discussed some of the problems and some of the situations regarding section 8 and you may have skirted on this issue in answer to questions by Mrs. Roukema and others.

I am interested, if you have one, in your opinion regarding the greater flexibility given to local communities under the chairman's bill, H.R. 5731, with a $1.3 billion program targeted to communities with low vacancy rates as opposed to the rigidity of section 8 administered on a national basis.

Are you in a position, either individually or on behalf of your organizations, to comment on this proposal?

Ms. REYNOLDS. I will take a shot, if I might. As I said, in my original testimony, the NLC is supportive of the proposal. And does feel that it has a great chance of meeting those needs. We feel reasonably good about it. As I also said in the testimony we have a few concerns about it that have to do with the percentage of units and projects that would go to low- and moderate-income people.

Mr. LUNDINE. That 20 percent?

Ms. REYNOLDS. Yes; we feel that 20 percent is not adequate. We feel that it ought to be closer to 30 or 40 and/or that bonus points in terms of getting the money for a project ought to be given to those communities that go beyond whatever that baseline is, or

offer longer term commitments for the low-income residents of such projects, or a number of other things to encourage the local side to add in as we can in terms of providing low-income housing.

But on the whole, we are supportive of taking that route.

Mr. LUNDINE. I am sorry. I was distracted and missed that part of your testimony. I have another question, and I do not mean to preempt the others from answering the first one, but do you believe that you can actually deliver housing at the local level less expensively and more successfully, if you are given that flexibility?

In other words, there are some people who are wondering if that is really possible. The unit costs, if you build to the same standards, are about the same in those kinds of things. Do you believe that this greater flexibility could actually result in more housing actually being built for the Federal dollar of subsidy being provided?

Ms. REYNOLDS. I think that the flexibility is the one component that would give us any chance of doing that, no, I cannot guarantee it. Building is so blasted expensive, as everyone knows, and you can only reduce the cost of a unit so far as long as it is to remain a standard unit.

Hopefully, what will occur with all of the flexibility involved and what would be an ideal program in my mind, would be that because the State or the local government could have the greatest range to leverage money, to say whether this is a 30-percent project, maybe it is a 50-percent project—to leverage the private money on the private side to leverage other Federal funds and other State funds, if you will, to make more specific a reasonable determination about what sort of housing can be best maintained in a particular climate, and will last maybe 20 years, instead of 10; or 30 years instead of 20 years.

Those are hard things to put on a balance sheet, but I think that the flexibility of the program is the only way, where we have any chance at all of bringing those costs down.

With a rigid program we do not. We are stuck with whatever it is, but the flexibility gives us at least a shot at reducing the cost of providing housing.

Mayor THOMAS. I think that you should realize that during 40 years, certainly in Norfolk, our people have built up great expertise in handling local housing problems.

I think that the more flexibility we have, the better job that we can do. And I think that that not only applies to Norfolk, Va., but it applies to the vast majority of the communities in the country that have been dealing with housing programs over a number of years.

The experience is there to handle our local problems.

Ms. KEETON. If I may, the National Association of Counties supports the flexibility and would be glad to work with that. Housing production is being packaged in incredibly new ways, and I think that our contribution to one or more of the elements, the legs of the stool maybe, could then be better addressed.

I do not know that we would get more, but it might make it possible to be the missing piece as we package it.

Mayor THOMAS. I would also support the flexibility, but th major concern that I would have is the amount of money that

are talking about. Under section 8, I think that we are talking about $8 billion, and now we are talking about $1.3 billion. So, we would be very supportive of having the $1.3 increased.

Mr. LUNDINE. Thank you, Mr. Chairman.

Chairman GONZALEZ. Thank you, Mr. Lundine. Mr. Wylie?

Mr. WYLIE. Thank you, very much, Mr. Chairman. I am sorry to have been in and out during the course of your testimony, we are in the throes of redistricting out in the State of Ohio and the subject has more than a passing interest for me at the moment. [Laughter.]

But I do want to personally thank you for taking up your valuable time to come here this morning, and to try to help us on a very difficult problem.

I assure you that I will take a look at your statements in more detail later on. I noticed, Ms. Reynolds, on behalf of the National League of Cities, on page 2, you have said that the availability of decent affordable rental housing has reached crisis proportions in nearly every locality.

You did not mention, there, that in my way of thinking one of the fundamental disincentives to the construction of affordable rental housing is rent controls, in the various cities that have them.

Do any of the cities here represented have rent controls?

[No response.]

Mr. WYLIE. OK, none of you have rent controls.

Ms. REYNOLDS. If I might, the State of Colorado passed a law outlawing rent controls which we got a kick out of because no city in the State had them yet. But we are now preempted from doing so.

I would personally agree with your opinion about rent controls. I have never seen them be a good long-term solution and they certainly do not encourage development of rental housing.

Mr. WYLIE. Well, you passed your own preventive medicine so it would not apply in your case, but what would you think about an amendment to this, the suggestion that would simply provide that this new program would not be available to those cities with rent controls?

Ms. REYNOLDS. Well, sir, I put on my private hat and I say, fine because as we just discussed we cannot do it anyway. I put on my institutional hat and I would have to say that the National League of Cities has a number of policies throughout our documents which invite local decisionmaking in terms of all kinds of housing problems.

Including, whether or not to have rent control. So, I am divided from my personal opinion and my institutional one which is that this is local determination. Whereas for the city and county of Denver, I think that it would be a grievous error, I cannot say with equal certainty that it would not be a terrific thing to do somewhere else.

So, I would have to say, that as an organization, we have no policy that would support the inclusion of that sort of amendment.

Mr. WYLIE. What you are saying, if I read you correctly, is that that does not mean that the cities of Denver and Columbus, Ohio, which does not have rent control, or a rent control ordinance either, would have to bail out those cities that do have rent control.

Ms. REYNOLDS. The assumption there is that somehow if you have rent control you need more bailing out than the rest of us. And I do not know that my organization is ready to accept that premise.

Mr. WYLIE. Does anyone else on the panel have a comment on my observation, vis-a-vis, rent control?

Mayor PRIMAS. Yes, in the city of Camden, we do have a rent control ordinance that is on the books, that has not been dealt with. It is an issue that is on my desk right now. And one that we are looking at very carefully. If you look at the housing conditions in the city, there were not many new units being developed.

And in the existing units, many of which were substandard, there was rent gouging, you might say on the part of many of the residents of our town. So the city council did pass an ordinance, but it has not taken effect. And it is a very difficult issue to deal with, one that we are grappling with right now.

But you asked a question and I did not want to imply that the city did not have a rent control ordinance.

Mr. WYLIE. I am glad that you made that observation, that gives me a good lead-in to my next question.

It has to do with the cost of housing in the various cities, and how it has grown so much in recent years.

There is a task force which has been formed by HUD, the head of which is the Deputy Secretary of HUD to work with various cities in trying to reduce the cost of regulations and the cost of overhead, in the construction of housing.

Are you familiar with that, Ms. Keeton? I see you nodding your head.

Ms. KEETON. Are you referring to the affordable housing project?

Mr. WYLIE. Yes.

Ms. KEETON. Yes. The National Association of Counties is one of the five, I believe, participants in it. My own comment is that we do need to look at that, and as an elected official who votes for subdivision and zoning regs and all of those design manuals, I feel a special responsibility for it. And sewer connections and all. I think though the term, affordability is too broad a term to be applied to that project of review of local fees, and charges and costs.

I think that time is the dollar value too. And that it is not only what those charges are, but the timeframe in which review takes place, that permits the project to go to actual construction.

I think that we as counties have an obligation and we will be reviewing all of our practices in the course of our existing study. But affordability is impacted by the opportunity to have funds at less than market rate for construction or for major rehab and mandated commitments to assisted housing. I think that I would just suggest to you, that it is bigger.

But you have hit on something that we can do something about. And we will be and we will be sharing it with you.

Mr. WYLIE. It is bigger, what of course, I had in mind, was specifically ordinances which require a certain lot size, a certain street size, certain zoning regulations.

I do not know what we can do except to provide some incentives, maybe on a voluntary basis to have some uniformity of application. And I am not suggesting—I was a former city attorney of Colum-

bus—so I am not suggesting that we tell the cities what we should do in this regard, but I think that there might be something there that could be helpful in reducing the cost of housing and I know certain cities have signed on as cities which are going to try to work with the Secretary in this regard.

And I was just wondering if anyone of you, who represent cities are into this demonstration program?

Ms. KEETON. I think if we could share success stories, that show that those relationships are directly related, that may be encouraging to local cities.

Mr. WYLIE. But you would all agree that local regulations probably do add to the cost of affordable housing. Would you or not?

Mayor THOMAS. There is no question about that and every city, ours is, should be examining its regulatory structure right now to reduce the cost in any way that they can. And that is encouraged through the Conference of Mayors and as far as I know through all of the other local organizations.

Mr. WYLIE. The chairman has indicated that my time is up.

Chairman GONZALEZ. Well, the gentleman's time has expired. We were even a little generous, but we would recognize Mr. Schumer.

It just coincides that we will have a rebuttal presentation.

Mr. SCHUMER. Mr. Chairman, thank you for the time and thank you for the very informative testimony.

I was going to make a deal with Mr. Wylie, that we in New York would stay out of Ohio's redistricting if he would stay out of our rent control. [Laughter]

Mr. WYLIE. At this point, you might be able to help us, so I am not so sure that is a deal. [Laughter]

Mr. SCHUMER. I think that I will leave the rent control arguments for another day because there has been so much else.

The one thing that I would like to point out is that Ms. Reynolds has testified that there is not much rentable housing being built in Denver, and they do not have rent control.

No rental housing is being built anywhere, whether or not there is rent control. I mean, I do not think that rent control is the reason. I would like to thank the mayor of Camden for being so kind to mention me, and the part of the bill I have put together. I think that the committee has done a great job under the leadership of Chairman Gonzalez in putting together a package. I emphasize that it is a package, which brings me to my first point.

A number of you have said that the 20-percent low-income set-aside, could be raised. That is my philosophical sympathy as well, though I am sure you are not familiar in great detail with my positions, but that is my position

There are several things that I would remind you of and ask you to remind your constituents. First, 20 percent is a minimum. If you wish to apply for a higher percentage you can. The second point is that this overall package is a composite package in which we are trying to do two things.

One is that we are trying to encourage production, and I would ask you at the end of this lengthy question, your views on the following dilemma: If we could have 10,000 units of low-income housing, or 40,000 of housing for middle-income people but hence create

more housing altogether, which would you choose? That is the difficult choice that we are faced with.

We are faced with it on a substantive level, but we are also faced with it on a political level. Because we have to have something that we can get through the Senate if we are not going to be here, simply beating our breast. And we have difficulty there.

One of the main reasons that so many of my colleagues criticized section 8 was that it was so expensive. And while we can all talk about waste and mismanagement and developers' profits, the real reason that section 8 is so expensive, is because it is a deep subsidy.

And what the rental housing part of this bill tried to do, given the times, given the type of Congress we have, given, as our able ranking minority member, Mr. Stanton said, is to get something that is flexible and that is quick.

So I would ask for your comments about that particular dilemma that we are faced with. I would hate to see no program come up because people who basically agreed with it said, "Well, it did not do enough." We are trying to do as much as we can. Any comments on that?

Mayor THOMAS. Under the current economic conditions and the general posture of the administration, and knowing that all levels of government are in a retrenching and shrinking posture, I personally, and not the Conference of Mayors, have trouble with even including moderate income when we start talking about housing.

I think that we had really better start directing a lot of our attention, as far as mayors go, to the low-income situation. And hoping that the other will have sufficient constituency to take care of itself.

So we are interested in low-income units and in taking care of our low income people. As far as the minimum of 20 percent, that is all right, but we would like some incentives given to those communities that would put more of that into low income.

Mr. SCHUMER. I agree with that. The only question is, given the finite number of dollars we have, the more the money that goes to low-income units, the fewer units that are built. That is the basic problem.

And if more units are built maybe there is more room for low-income people, and everybody else in a terribly inadequate housing market.

Does anyone else have comments?

Ms. KEETON. Mr. Schumer, that is a tough question. And you have to deal with the realities of what is going to work here. Counties, in the testimony, say we feel that we should either increase the 20 percent because the people, the low-income people, are people without voices. They are not an effective lobbying group. We do not hear them day after day. They have no other people but us to be responsible for them, in a sense. But we would also suggest that the subcommittee could consider putting an upper limit of 120 percent of median income for those in the 80 percent. In other words you juggle both ends of this.

And it is true that there is not rental housing, and if we had a slightly higher vacancy, a little more production, then rents might not go up as much because the market is being controlled by the fact that it is a hungry market.

Mr. SCHUMER. I think that is a good idea, and one that we will explore.

Ms. KEETON. There could be some carrots, maybe.

Mr. SCHUMER. I think that is a good idea. I do appreciate it. Ms. Reynolds?

Ms. REYNOLDS. I will be brief. I agree with the previous statements. The problem with a minimum is that it tends to be the accepted norm. Because the fewer low-income units you have the easier financing is going to be. And it works that way, and so that is why we are concerned. We do understand that it is possible to put more lower income units in a project, and have it be approvable.

I do not believe that just creating more higher income units, although we certainly need them in my community, will trickle down quickly enough to the poor people. Both personally, and on behalf of the National League of Cities, our policy is that when dollars are restricted, assistance should go to those most in need.

Which, in the terms of your question, would mean less units, but those units directed toward the people with the most difficulty in the private market.

Mr. SCHUMER. Thank you. Mayor Primas?

Mayor PRIMAS. You were absolutely correct when you said that it is a very difficult question, and in the case of Camden, in particular, there is certainly a need to do more for the poor.

But in my case, there is also a need to try to attract more moderate-income families to our city. And in Camden we have become like a magnet to the region for the subsidized and the poor. And it is a very difficult issue, possibly it could be tied into the voucher system.

I would not be able to give a percentage, but it is one where I as a mayor, need housing available for higher incomes while at the same time there is a continuing need to respond to the needs of the poor.

Mr. SCHUMER. I think that it is interesting to note, and you bear this out, that the cities that are better off economically want money to help the poor, because there are fewer of them and their overall problems are not as great. Whereas cities like mine and yours, where we know that if we put every drop of money into it for helping poor people, we would be helping maybe 5 or 3 percent of our total poor population, and you are facing triage, or maybe quadriage. In any case that is the real dilemma we are faced with.

And it is a vexing one. Let me just make a couple of other points.

One of the other parts of this package, which I think that you all greeted with enthusiasm, and this has been a personal battle of mine, was keeping up operating subsidies for public housing.

The administration, of course, says that well, we are going to cut or even eliminate operating subsidies for public housing. Let the localities pick it up. Do your localities have the ability to pick those costs up?

Mayor PRIMAS. I can speak for my locality. And the ansewer is absolutely not. That is a major problem in Camden with our public housing units and to give you the severity of the problem, last year we raised local property taxes by 88 percent and I am now faced

with a budget this year and there is an operating deficit in our housing authority units.

Many of the units are substandard, and certainly we could not afford to pick up that cost.

Mr. SCHUMER. Is that generally agreed upon by the other parties in most of their cities?

Mayor THOMAS. Yes.

Ms. REYNOLDS. Yes. For example, we are concerned at the moment about the payments in lieu of taxes with our housing authority. If we went by historical formulas, this year, the city ought to be receiving from the housing authority $172,000. We just wrote a new ordinance that says that you still owe it to us but if you provide in writing the reason why not, we will have to forgive it.

Not because anybody likes doing business that way but because they do not have the ability. With the last cuts on the housing authority, we have laid off 20 percent of our staff, all of our counseling and our social programs have been done away with entirely. Both major, and day-to-day maintenance has been reduced to almost nothing. We are looking to having to charge more for those things where we can charge more.

We are locked into the 25 percent of income, which makes the average payment for our 20,000 people about $78.50 a month per family. We do not have the resources to do it. No.

Mr. SCHUMER. Mr. Mayor.

Mayor THOMAS. We have 4,000-plus units of good public housing that cost just a little over $200 per unit per month to operate. And we would all be crazy to let that resource go away from us. That is, we are down to basics now, we had better hold onto what we have got, and then we can talk about what we are going to get.

Mr. SCHUMER. Mr. Thomas—if I just might make one more comment, Mr. Chairman, I know my time has expired on this committee—your point has been accepted, and we received strong support not only from Chairman Gonzalez and Chairman St Germain, and—I always forget what the term is—but from Mr. Stanton and Mr. Wylie, the would-be chairmen or hope-to-be-chairmen, or whatever—we hope not. [Laughter.]

Mr. SCHUMER. But in any case we received support for the essentially conservative argument that we have a $65 billion investment, already fairly cheap because it was done back in the 1940's and 1950's when construction costs were much lower, in public housing and we cannot let it go down the drain.

But where we have had trouble is in making that argument, A, to the administration and, B, to the Members who are not on these committees, and particularly to those who are not from urban areas.

It would be very helpful if Mr. Whitehurst understood that argument. It would be very helpful if Mr. Kramer understood that argument. It would be very helpful if Ms. Holt understood that argument. Please help us with it. Thank you very much.

Chairman GONZALEZ. Thank you very much, Mr. Schumer. And who knows, you might be chairman. [Laughter.]

Mr. SCHUMER. I am just trying to be a sophomore, Mr. Chairman. That is enough trouble. [Laughter.]

Chairman GONZALEZ. Mr. Wortley.

Mr. WORTLEY. Thank you, Mr. Chairman.

I think today's witnesses build a very, very strong case for block grants because of the differing needs of each one of your communities. For some of you, vouchers would be effective where you have an adequate amount of housing stock. For others who may come from metropolitan areas, New York State, Newark, the eroding tax base and the lack of housing stock means that you need new construction.

But would it not be encouraging to you to have local discretion as to how you use those funds instead of having Washington making you qualify for categorical grants and the like?

I would be interested in your individual comments.

Mayor PRIMAS. I think that we would certainly enjoy the local decision, because as long as we have the funding, in order to back it up to resolve the major housing problems—and I think that is really the issue is the amount of dollars that are going to be available to address the housing problem, which is a very complex problem in this country.

Mr. WORTLEY. When you have the dollars, would you not rather make the decision?

Mayor PRIMAS. I think the answer to that is yes, if the dollars were sufficient.

Ms. KEETON. That would be true for counties, but I would repeat my concern that the block grant be defined in a way that does not make housing compete with too many other human needs. Your responsibility is for housing here.

Could I also comment on the voucher? I would urge you to look to see if the voucher will really increase housing units. The way we analyze the voucher program as proposed, it will be utilized, by definition and by regulation, the people who are already being subsidized and will not provide but a very minimum, if any, additional units.

And I could supply you with that detail. But I want to call that to the committee's attention while you mentioned it.

Mr. WORTLEY. Well, it seems to me this would aid rehabilitation.

Ms. KEETON. What I was suggesting——

Mr. WORTLEY. Less money might be spent, in the final analysis, if you have already acquired the property and the roof is on it and the frame is there. Why would you not get a greater return on investment?

Ms. KEETON. I was commenting on your earlier comment about vouchers as one of the new tools and suggesting that we want to be careful not to think that that is going to add to the housing supply and to urge you to be careful in how it is defined for its specific uses.

It is really a replacement resource and a substitute, I believe, and not additional new ones, unless you fix it better.

Mr. WORTLEY. My reference was to the block grants.

Ms. KEETON. On that, we would like the flexibility. We would take the responsibility. We are concerned, though, that we are talking about dollars to go with it.

Ms. REYNOLDS. I would just like to underscore Mayor Primas' comments. A housing block grant, where we have the local flexibility to develop programs would be a fine thing if there were enough

dollars attached to truly help us to meet the needs. Flexibility is worth very little if you are not talking about having any bucks to be flexible with.

Mayor THOMAS. I think the block grants, however, ought to be structured to meet a demonstrable national need and a national purpose. I do not think we can say that housing is not a national need and that good housing is not a national purpose if we all support in other areas.

I have seen in Virginia our general assembly has just met, and they took actions in the areas of education and health care, transportation, that seemed to me to be responding somewhat to the transfer of responsibilities back to the local level, which I personally support.

But in the matter of housing, the Federal Government is so deeply involved and has been for so long that housing is a national program. And when you start ticking off the FHA and the GNMA and the FNMA and the public housing and the VA programs, it is going to be very difficult to have any housing program without a strong national involvement.

Now, in our States we have built-in constituencies already in the areas of transporation and the areas of education and health care. But there is no constituency and a whole lot of expertise, in our State anyway, in the area of housing. Our only State involvement in housing is in mortgage revenue bonds. And we welcome that.

But that is the only involvement. The involvement in housing is really at the local level. And I cannot see, with the costs involved, that that program can get very far away from Federal involvement. And I do not feel that way about some of the other programs.

Mr. WORTLEY. Your State housing agency has been one of the more effective ones, as I understand it.

Just one quick question, if you can respond to this one very briefly. Are you finding any problems in your area of HUD 202 projects that are being converted to either co-ops or condos?

Ms. KEETON. Yes. The State has tried to establish some guidelines in terms of helping people who do have not the capacity to buy in, who get first chance and all of that. But that is a serious problem. And there are a couple of jurisdictions in the United States that have begun to zone for rental units to guarantee that there will be long-term rental units? I think we are going to have to look hard at that.

Ms. REYNOLDS. We have had an historical problem over the last 10 years or so with all types of conversions. The biggest one at the moment is to have old residential structures being turned into offices one way or the other. We have old hotels downtown that were serving a very, very low economic group, turned into either condominiums or office complexes.

A few years ago when I would come to Washington, displacement was a word you heard a lot. There seemed to be a concern, and I do not hear it so much anymore. However, we still have that very displacement problem where, because thank God we have a reasonably healthy economy in the city, people are moving in and they are displacing the people who were already there and those people have no alternative places to go.

For example, Father Woodward of Holy Ghost Church in downtown Denver has opened the doors of that fine Catholic Church every night for the last 6 months because he has 200 people sleeping there. Those are directly displaced people out of some of the conversions we have had. So we consider that a very serious problem.

Mr. WORTLEY. Thank you, Mr. Chairman.

Chairman GONZALEZ. Thank you, Mr. Wortley.

We do have some time, and as I said earlier, I had some specific questions that I did not have an opportunity to ask, which I think, if I do have that opportunity, it will save having to submit them for the record and all of that.

I was particularly impressed, Ms. Reynolds, not only with the general presentation you made, which was, I think, tremendous, but that you referred to the section 108 loan guarantees.

What kind of CDBG projects have been possible because of the use of that program? Would it be possible for you to describe some of those? Because you are the first one that really hits this, to me, vitally important part of our bill.

Ms. REYNOLDS. Yes, I would be glad to. Section 108, if I might say, first, had a hard time getting started up an accepted in a lot of communities, I think for various administrative reasons. It was not a fast-track program as far as getting a lot of people involved quickly. And I do not think it has ever been used clear up to its maximum authorization.

It has been a slow thing to develop. But as our other economic development tools are going away on us through EDA and the other things, I think it becomes more important.

I have some examples here. Tacoma, Wash., for example, is renovating three buildings to house some of their student population and a paralegal school and a parking garage.

They are making the payments back to lease the property to the university. The eventual sale of property, all of which was made possible because they could use the CDGB money to almost underwrite the loans to make that guarantee, that assurety.

Kansas City, Mo., which if you are familiar with it at all—and I grew up there, so I am—has a very difficult downtown situation. They are using the 108 to acquire 3½ or 4 blocks downtown to develop some hotel and other amenities they need around their new convention space.

And again, they are getting the payback from the developers and the rest from mortgaging their CD entitlements.

Those are just two examples. And we can provide you with more.

I think it has been used to rather good effect in the city and county of Denver. We have used it for less major projects, but nevertheless used it to allow small business, for example, to establish adjacent to lower income housing projects where they needed just that extra boost to secure financing and providing community service.

Chairman GONZALEZ. Thank you very much. That is very interesting.

Major THOMAS. The U.S. Conference of Mayors now has underway a survey of its membership to determine the extent of the use

and the details of use of section 108 loans. And we will have that to you to put in the record probably by the end of the month.

Chairman GONZALEZ. Thank you very much. We will be deeply grateful.

[The survey referred to, "Section 108 Loan Guarantee: A Powerful Economic Development Tool for Cities," follows:]

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SECTION 108 LOAN GUARANTEE:
A powerful economic development tool
for cities

Based on a Survey of Section 108 Loan Guarantee
Participants
by
The Staff of the U.S. Conference of Mayors
April, 1982

During March, 1982, the U.S. Conference of Mayors undertook a survey of all participants in the Section 108 Loan Guarantee program administered by HUD. The Section 108 program, authorized by the Housing and Community Development Act of 1974, is designed to provide locally controlled, long-term financing for selected economic and community development projects. Activities funded through Section 108 loan guarantees are expected to create jobs and increase local tax bases.

Applications for the loan guarantee can be made as part of the annual Community Development Block Grant (CDBG) proposal for a given year. If the guarantee is sought after the grant proposal has been submitted, it can be handled as an amendment. Only participants in the CDBG program are eligible to apply for loan guarantee commitments, and approved guarantees cannot exceed an amount equal to three times the applicant's annual CDBG grant amount.

Survey forms prepared by the staff of the U.S. Conference of Mayors were sent to every community which had received a Section 108 guarantee in prior years, as well as to those communities which have applications pending now at HUD. The purpose of the survey was to determine how Section 108 loan guarantees have been used in the past; how many jobs projects financed by Section 108 have produced or retained; and what effect on the local tax base the project had. In addition, the survey solicited suggestions for better design and administration of the program. The following sections summarize the survey responses received as of the end of March.

Program Participant Profile

A total of 23 jurisdictions responded to the survey by the end of March. According to the completed survey forms, these communities had CDBG entitlements totaling $215.2 million, and had received a total of 28 Section 108 loan guarantees totalling $187.9 million, for an average grant amount of $6.7 million. The loan amounts ranged from a high of $60.5 million to a low of $75,000. In addition, one city, Detroit, accounted for $141.7 million of the total loan guarantees in the sample, or 75 percent of the total. If Detroit is subtracted from the totals, the remaining 23 jurisdictions accounted for $46.2 million in guarantees, for an average of $1.65 million per loan guarantee in the survey, excluding Detroit.

Coordination with Other Resources

Twenty of the respondents stated that their Section 108 loan guarantees had been used in conjunction with other

federal aid programs. Fifteen combined it with CDBG expenditures; four of these also used UDAG funds and one reported that it used the Section 108 loan guarantee in conjunction with CDBG, UDAG, and EDA funds. Another community reported combining the loan guarantee only with UDAG, and another with EDA and CDBG. One community reported combining Section 108 funds with public housing funds.

Fifteen of the respondents provided short descriptions of the projects these coordinated efforts funded. These included:

- setting up reserve funds for construction loans, site preparation, land clearance, and payment of front-end development costs;
- street improvements around land parcels assembled with Section 108 funds;
- to assist business development by offering alternative means of financing;
- to write down administrative costs in conjunction with a project.

Section 108 Loan Guarantee Activities

Communities in our sample have used Section 108 loan guarantees in diverse ways. Fourteen communities indicated that the guarantee funds would be used for economic development, mostly for new construction or rehabilitation of existing business structures. Five communities indicated they used the funds for rehabilitation or construction of housing. Three communities said they would use the loan guarantee funds for elimination of slums and blight, and land clearance. One of the surveyed communities indicated that it was using the funds for a facility to provide health services to local residents.

Job Creation through Section 108

All 23 responding communities indicated that jobs had been created or retained through the use of the Section 108 funds. Total jobs created in the survey sample equalled 20,072. Of these, 15,564 were newly created, while the balance, 4,399, were retained in existing businesses assisted with loan guarantee funds. (Detroit, which accounted for 75 percent of the total guarantee funds, only accounted for 6,700 of the jobs in the respondents' sample, or 33 percent

of the total jobs reported.)

Taken together, these figures show that an average of 873 jobs were either retained or created with each loan guarantee. Also, the survey shows that in this sample, jobs were created or retained at an average loan guarantee cost of $9,359 per job.

The survey also showed that many of the jobs created through Section 108 available to low- and moderate-income persons. This ranged from a minimum of 20 percent to a high of 100 percent, depending on the community. Twelve of the survey respondents said that 50 percent or more of their jobs had been available for low0 and moderate-income persons.

Community Tax Base

Section 108 loan guarantees also have been used to augment local tax bases. A total of 22 of the responding communities indicated that their loan guarantees would increase their tax base. Taken together, these increases totalled $179.3 million of additional revenue to the communities, by their estimates. This increase came from combinations of property, sales, and license taxes collected as a result of Section 108 financed development.

Private Sector Leveraging

Twenty of the responding communities indicated that they had leveraged private sector investment as a result of the Section 108 loan guarantee. Total leveraged funds equalled $703.4 million, or an average of $3.75 in private funds for every dollar of funds guaranteed through Section 108.

Housing Production with Section 108

The survey also shows that Section 108 funds have been used to construct and rehabilitate housing. A total of 671 units were reported for new construction, of which 319 were rental units and 352 homeownership, while 86 units were listed for rehabilitation using guarantee funds. Most of the housing units were scheduled to be available to low- and moderate-income persons.

Current Problems with Section 108

Survey participants were asked to list any current problems they had or foresaw in the Section 108 program. Those

who responded to this question included the following issues:

- high interest rates generally making all financing tougher;
- difficulties in negotiating with developers;
- uncertainty at the federal level, particularly after the November, 1981, termination of the program by administrative order.

Housing Commitments under Section 108

Survey participants were asked whether their loan guarantee projects had anticipated the use of federal housing subsidies, and whether proposals in the FY83 budget to terminate these programs would jeopardize those plans and the loan guarantee itself. Five of the respondents indicated they had used their loan guarantees to acquire and prepare land for housing, some of it subsidized through federal programs. Three of those respondents, as well as two additional communities indicated that suspension of the programs would jeopardize the loan guarantee program in their community.

Suggestions for Improving the Program

Survey participants were asked to suggest changes to the Section 108 loan program which they would recommend to improve it. Eleven of the respondents did so, and the most popular suggestion was to extend the repayment period on loans guaranteed by Section 108. Other suggestions included more flexible credit criteria; expansion of eligible activities; and designation of a particular Washington, D.C., HUD office staff person to coordinate the program and counsel participants. Many of those responding to the question simply noted that they felt Section 108 is a "good" program and should be kept on the books.

Chairman GONZALEZ. I might say that I have one particular question. Some of the others I anticipated have been answered by Mayor Thomas in the course of his answering the other members.

But Mr. Fauntroy has come in, and I am going to yield to him for his 5-minute period.

Mr. FAUNTROY. Thank you, Mr. Chairman. I do want to apologize to the panel for not having been able to be here throughout the course of your presentation. I have read your statements, however, and I look forward to covering at least some of the material which I trust has not been covered heretofore.

Let me begin with Ms. Reynolds. You have estimated that between 50,000 to 100,000 units could be constructed with the $1.3 billion authorized for the multifamily construction program if 20 percent of the units are available for low-income families. And you have recommended changing the multifamily construction program by increasing the percentage to be provided for low- and moderate-income people from 20 to 30 to 40 percent. Have you estimated how many fewer units could be constructed with the authorized funds if your recommendation were adopted?

Ms. REYNOLDS. No, sir, we have not run the math to see. There are so many various ways things can be financed today, it would be hard to draw a hard and fast number.

We do, however, feel that even though there would be fewer units constructed by some measure, that the focus ought to be as much as possible on the lower end of the income scale and that the tradeoff is worth it, although I am sorry we have not run the numbers. If we ever come up with a reasonable estimate, we will get it to you.

Mr. FAUNTROY. The President's budget calls for $150 million for the rehabilitation program, although the exact features of this program are not known, since HUD has not yet submitted its 1982 legislative package. Could you comment on how this program might differ from the 312 program and if cities see a need to change to another rehabilitation program at this time?

Ms. REYNOLDS. The major difference that I am aware of has to do, of course, with the fact that localities would be required to contribute 50 percent into what they are calling their rehabilitation block grant program. That, of coure, is the major change from the 312.

In a country this size, $150 million equates to a little more than a pilot project. It is not very sweeping. Not very many of us would get access to much of that. Our position is to continue to support the section 312 program. We find that that program has provided us with a good deal of help over time and we are not prepared to give it up, although the new $150 million with the 50-percent match may be something to be added on as a pilot to find out what kind of response there would be to local governments, but not as a replacement. It would not replace the 312 program.

Mr. FAUNTROY. Incidentally, any member of the panel who may wish to comment on any of these questions, please feel free to do so.

Ms. KEETON. Mr. Fauntroy, I wanted, on your first question, and it is in our testimony that we suggest you look not only at increasing the 20 percent but also possibly putting an upper limit of 120

percent of median income or some such limits on the balance of the units, so that they do not go to upper income persons.

But the more fundamental thing, as I have been hearing and working with developers who are trying to do 20 percent units now with the assumption they may not have survived the tandem is what the interest rates are that determine how deep they can really cut in terms of the low-income 20 percent, because you can cream that too, if you know what I mean.

And I think that we would urge that we continue to keep authorization for IRB's for multifamily housing wherever that legislation occurs, but we would surely support the continuation of the tandem that is in this bill.

Mr. FAUNTROY. Ms. Keeton, you said the National Association of Counties was supportive of the administration's proposed modification of section 8 existing housing program that would remove the cap on fair market rents. This proposal, as I understand it, would allow tenants who are confined to cheaper units to retain the difference in the subsidy.

Ms. KEETON. That is correct. My comment was, though, that that will not work in all communities, that it depends upon what the resources are that they have to choose from. It does have the advantage where there are housing choices available to them to give those who count to have that incentive.

I would not urge that as a substitute but rather as an alternative.

Mr. FAUNTROY. Of coure, the flip side of that proposal is also to permit tenants to pay more than the fair market rent if they want to use their own funds.

Ms. KEETON. Well, they have been doing that.

Mr. FAUNTROY. Did you not also support this modification?

Ms. KEETON. The same thing, the same principle: where it will work—with skepticism that it will work very far.

Mr. FAUNTROY. You recommended also distributing the multifamily construction stimulus funds on an entitlement and formula basis. What recommendations do you have for the criteria that should be on that formula?

Ms. KEETON. In terms of percentages again, or methods of financing? Excuse me if I do not understand the question.

Mr. FAUNTROY. Well, essentially, just the criteria for arriving at the formula, to be included in the formula.

Ms. KEETON. I think one of the things you could do would be to leave some flexibility there so that if they were able to provide, if the community needed larger bedroom units for families rather than smaller units for elderly, for example, some carrots in terms of extra points or percentages to enable that to happen.

I think that that is an area where there ought to be limitations in terms of a minimum amount but encouragment to go farther at least and that you may wish to up above the 20 percent.

I would also ask you to consider what you do with the other 80 percent. We all have to be realistic about the construction dollars these days. And that is not going to be easy. And I do want to say again that I think that the programs that have been available, both the HUD insurance programs and the GNMA and others,

have made the housing that has happened in the last 3 years possible.

Mr. FAUNTROY. I just want to suggest, Mr. Chairman, that I guess what we are searching for is the kind of formula that would have to be based upon such things as the age of the housing, the poverty level, and the like, because I do not think we could do what you suggested under the entitlement formulas.

Ms. KEETON. Excuse me. The bill does suggest some of the criteria where there is overcrowding and all of those. And I think that those are good considerations that are in the bill now. If we have further suggestions, we will be sure to share those with you.

Mr. FAUNTROY. Ms. Reynolds, you seem to want to comment.

Ms. REYNOLDS. We appreciate the parts of the formula that are already in the bill. We think that is the right tack to take. Some sort of an almost UDAG-type requirement in terms of poverty and all of that. You would obviously have to add into that, I think, a stronger component for age of housing and vacancy rates, that sort of thing.

And you also might want to look at the housing growth rates within a community. For example, I would think a community that has had a very slow growth in housing at the same time where they have had a high growth in population influx or their poverty levels have gone up or the employment has gone down, those things would need to be melded in to find a reasonable base for how to do it.

No, I would not think simply the entitlement formulas would be sufficient to deal with that.

Mr. FAUNTROY. Thank you, Mr. Chairman.

Chairman GONZALEZ. Thank you, Mr. Fauntroy.

And I will continue, because it also anticipates one of the questions I had for Ms. Keeton.

Of course, I share your concern about that 20 percent in the new multifamily rental. And, of course, as far as I was concerned, I would have a different druther. But the overriding concern there—and it is a question I am going to ask of you—is do you feel that increasing the number of units would tend to or actually discourage the developers from becoming involved in the program?

This is the thing that we had to confront when we were deliberating. The plain fact is that we can go ahead on the other but reality is that developers are not going to come in.

Ms. KEETON. I am very conscious of that, and have worked closely with the Maryland homebuilders on this issue. And I must tell you that people who have had long-term commitments to the multifamily housing industry are now choosing to expand their portfolios to office space and other things because the dollars do not work.

And 95 percent of all of the multifamily built in the last 3 years in Maryland has had some form of Federal assistance. And we do not see replacements for that. People are struggling to do that. And we have people who really want to build that kind of housing and do it with quality that you would be proud of. But the dollars do not work at the interest rates that even the IRBs have to offer.

And the State is helping in any way they can with the State housing program. So what you are really doing is finding many

players to put together in new ways. And we are searching, but I think we are at real risk in terms of continued production of multifamily housing in the immediate future.

That is why we treasure so much your efforts to at least make a dent in that.

Chairman GONZALEZ. Well, thank you very much.

Ms. Reynolds.

Ms. REYNOLDS. In the future, I think, cities are going to have to be much more creative as partners. I believe, for example, as I have told you today, that where there is the Federal commitment, it should be very deep and should be to lower income people to provide housing.

I think that in order to overcome what you are talking about in terms of a developer simply not being able to get things together to do that if you want to cut in too deep on him, I think the local government is going to have to be much less stubborn in dealing with the private side and in cutting more UDAG-like deals. If you will build me a project with 40-percent low-income housing and with no units over 120 percent of median, then I will rezone your adjacent land to allow the shopping center complex that could be adjacent to that and make your economics work.

I mean I think we are going to have to stop looking at housing in a total vacuum in terms of encouraging our developers. We are going to have to look at it as it should be, as a total community need and see what can be offered to the private side to make it attractive enough to put that private money into it.

Chairman GONZALEZ. Thank you very much.

And then another followup question, and I wish Mr. Fauntroy had been able to stay here.

I guess this would be, in view of the dialogue, directed to Mayor Primas and Ms. Reynolds.

What advantages do you see in the voucher program that cannot be accomplished by extending the section 8 existing housing program?

What are the potential problems that a voucher program would cause in your particular communities if the voucher payments were too shallow and the low-income tenants had to pay more than, say, 30 percent of their income for rent—particularly families with children?

Ms. REYNOLDS. In the city and county of Denver I see the voucher program as being a not terribly useful tool, because we have such a tight housing market. There is no place to go with the voucher where it would help enough.

As you say, what would happen is someone would take a voucher out, find the lowest priced place they could. Now, it might be substandard, and I do not think it is a Federal goal to subsidize people into substandard housing. On the other hand, it may be a fine place that they actually get access to, but they are paying more for it with their limited incomes.

The results of that are not immediate and obvious. If they could find the money to put into it, they have a place to live. The results are much more socially damaging, in my mind. If you are really talking about low-income people, you are talking about decisions of not feeding the children as properly as they should be or not giving

them the educational advantages that perhaps they could use to good effect.

You are talking about making the landlord less responsible for keeping the unit up to snuff, to keeping his costs low. The voucher program is talking about almost penalty points for food-stamp recipients, which means, of course, that the larger the family the more food stamps you get. Sometimes a food-stamp income supersedes the other income in the household, and you are simply talking about a nontransferable money.

There are places, I am sure, where the voucher program would work if you have enough housing already built and you have enough opportunities for people to move to different jobs to be close to the housing that is available if there is also work there. Most of us do not live in that kind of an idealized world.

I find the voucher program, if it has anything to recommend it, would be as an option for communities where it is possible. I have talked to many, many people throughout the country, and I have yet to find a community that seems to think that they are the likely place to try it.

Mayor THOMAS. Again, Mr. Chairman, the U.S. Conference of Mayors has asked its membership to advise us on what the effect of vouchers would be in their individual communities. And we will share that information with the committee also.

Chairman GONZALEZ. Thank you again.

[Mayor Thomas submitted the following report by Lanny Shuman of the Seattle Office of Management and Budget, "Analysis of Proposed Changes in the Federal Section 8 Existing Program":]

ANALYSIS OF PROPOSED CHANGES IN THE FEDERAL SECTION 8 EXISTING PROGRAM

Lanny Shuman
Office of Management and Budget
City of Seattle
April 1, 1982

SUMMARY

The President's FY 1983 budget proposes a dramatic shift in the way HUD provides housing assistance. The budget calls for the virtual elimination of new construction and rehabilitation programs in favor of a modified Section 8 Existing program. In FY '83 over 90 percent of all new direct rental housing assistance would be supplied through privately owned existing housing compared with less than 20 percent in FY '80.

The FY 1982 budget raised tenant contributions from 25 percent of income to 30 percent for all Section 8 programs. The FY '83 budget assumes a number of changes in the Section 8 Existing program itself. The program would no longer limit recipients to units with rents less than Fair Market rents. Recipients would live in any decent housing regardless of rent levels, but would receive a housing allowance based on a new rent standard. A number of other changes are designed to reduce the eligible populations and to increase the amount that program participants pay:

- requiring that food stamps be counted as income.
- reduction in program eligibility from 80 percent to 50 percent of median income.
- elimination of annual assistance increases increases to compensate for inflation in housing costs.

First year impacts of these changes on Seattle's program vary. The FY '82 increase in required tenant participation will be "phased in" over 5 years and the first year impact will be small. The elimination of Fair Market rents will actually benefit some Seattle recipients, those whose total housing costs are below the new rent standards. These gains would be more than offset by the change requiring food stamps to be counted as income and by the increase in tenant participation. The average decrease in housing assistance in the first year would be about $40 per month for each assisted household.

Longer term impacts are more difficult to predict. The elimination of annual increases in assistance to compensate for inflation will mean that the value of the assistance payment will be seriously eroded: Average monthly rents could increase by $100 to $200 over a five year period with no change in assistance.

The purpose of this paper is to explain the changes in HUD's Section 8 Existing program and how the changes will affect the Seattle area housing assistance recipients. The paper summarizes the changes in federal funding of housing programs; compares the current Section 8 Existing program with the proposed modified program; and quantifies the specific impacts of the program changes on Seattle recipients.

CHANGES IN FEDERAL HOUSING ASSISTANCE

The President's proposed FY1982 rescissions and FY 1983 budget shift federal housing efforts almost exclusively into assistance to tenants in existing housing, virtually eliminate the New Construction and Substantial Rehabilitation Programs (with the exception of the Section 8/202 program), and increase the amounts that housing assistance recipients must contribute toward their rents. The following table shows the changes in the major HUD housing programs from 1980 to 1983, and the proportion each program represents of total new federally assisted units for the year.

Numbers of Newly Assisted Housing Units Funded
by Major HUD Housing Programs - 1980-83

Program	FY80	FY81	Proposed FY82[1]	Proposed FY83
Section 8 Existing	47,022 19.6%	85,289 38.7%	186,385 84.8%	5,000 4.1%
Modified Section 8 Existing ("vouchers")	-	-	-	106,615[2] 87.7%
Section 8/202	20,440 8.5%	15,166 6.9%	16,933 7.7%	10,000 8.2%
Section 8 New Construction/Moderate Rehab	94,758 39.4%	58,69[illegible] 26.6%	5,569 2.5%	0 0.0%
Section 8 Moderate Rehabilitation	40,000 16.6%	24,981 11.3%	10,720 4.9%	0 0.0%
Public Housing	38,172 15.9%	36,370 16.5%	310 0.1%	0 0.0%
Total, All Programs	240,392 100.0%	220,501 100.0%	219,917 100.0%	121,615 100.0%

The 1983 Housing assistance programs rely heavily on a modified form of the Section 8 Existing program, sometimes called the "voucher" program. Note that in 1980 only about a fifth of newly assisted units were provided through the the use of existing housing, while over 90% of newly assisted units proposed in the FY83 program would be provided with existing housing.

[1]This column incorporates changes in the FY 1982 budget proposed in the FY 83 budget.

[2]While these units are classified as "newly assisted," in fact 60,615 of the units would be used to buy out obligations under the current certificate program, and the remaining units will be used in conjunction with the Rental Rehabilitation Progam and with the sale of HUD owned properites.

The assistance payments would not go up with higher rents or down with lower rents. If an assistance recipient chose to rent very expensive housing, the additional costs would come out of his/her pocket. Conversly, finding housing cheaper than the Standard Rent would accrue benifit to the recipient.

In addition, HUD is proposing elimination of inflation adjustments. Vouchers would be good for five years at the assistance level determined in the first year of participation. Under the current program assistance payments are adjusted each year to reflect changing rent levels.

The following table compares major aspects of the current and proposed programs and shows the Seattle area 1981 Fair Market Rents, estimated Standard Rents and income eligibility levels. For comparative purposes the Standard Rents have been estimated as if they had been implemented in 1981. The actual Standard Rents, when they are finally implemented by HUD, will also be adjusted upward to account for inflation.

Proposed Modifications: Section 8 Existing Program

	Current System- Section 8 Existing Program	Proposed System- Modified Section 8 Existing or "Vouchers"
Eligibility	Families, elderly, and handicapped below the 80% of median income standard (lidded in Seattle at 69.7%). Standards for the Seattle area are: 1 person $1271/month 2 persons $1450 3 persons $1629 4 persons $1813 5 persons $1925	Families elderly, and handicapped below the 50% of median income standard, including food stamps. The 1981 standards for the Seattle area would be: 1 person $ 908/month 2 persons $1042 3 persons $1171 4 persons $1300 5 persons $1404
Household contribution	25% of adjusted gross income (i.e., after deductions of excess medical expenses and of $300 per child). The 25% includes an approved allowance for utilities. Congress has already approved the increase to 30%.	30% of adjusted gross income for new participants. The 5% increase will be phased in over the next 5 years for current recipients, i.e., 26% the first year, 27% the second and so on. Again, income will now include food stamps.
Rental Assistance level	HUD pays the difference between the required household contribution and the total of the housing unit contract rent and a utilities allowance. This total cannot exceed the Fair Market Rent.	HUD pays the difference between the household contribution and a new "Standard Rent for the size unit the household qualifies for. The assistance payment will be this difference regardless of the actual total expenses for the unit

SECTION 8 EXISTING HOUSING: PROPOSED CHANGES

The new program, explained in detail below, represents a number of shifts in the way HUD provides assisted housing:

HUD will provide most housing assistance through existing housing units, relying on the private housing market, partially in response to the demand created by the HUD programs themselves, to provide new and substantially rehabilitated housing.*

Housing assistance recipients will now be allowed to live in any housing they choose regardless of the rent (so long as it is not substandard housing). Assistance payments will be based on a "standard rent" and will not vary with the actual rent tenants pay. This program change will provide participants a reason to seek out the least expensive housing.

HUD will reduce the amount of assistance provided to each household. Recipient households now are required to pay 25% of their incomes for rent. This maximum contribution will soon be changed to 30% although current participants will be "phased in" over a 5 year period. The new program will also require that food stamps be counted as income and will eliminate HUD paying for utilities in cases where utilites bills exceed the maximum household contribution.

The modified certificates will be good for only five years at the same assistance level as the original year of application. There will be no annual adjustments for inflationary increases in rent levels.

Current Program: Under the Section 8 Existing program, housing assistance recipients pay a maximum of 25% of their adjusted gross income (after deductions for children and excess medical expenses). The 25% maximum also includes an allowance for utilities. There are more generous provisions for very large, very low income households but these cases represent a very small part of assisted households. Eligible households are those whose incomes are under a set of income limits set by HUD. The income limit for a family of four is 80% of the area median income; this limit is adjusted for different household sizes. (The actual limit in the Seattle-Everett area is 69.7% of median income because of "lidding" of the limit in higher income areas such as Seattle.)

Eligible housing units are "decent, safe, and sanitary" housing units, generally units in good condition which have both bathroom and kitchen facilities and meet other HUD size standards. Rent for the units must be less than Fair Market Rents for the area. Fair Market Rents are rents determined by HUD to be the median (50th percentile) rents for qualifying housing in the area, excluding new units.

Proposed Program: A number of major modifications to the Section 8 Existing program have been proposed for implementation in FY1983 or sooner. Income eligibility limits for the program would be reduced from the current 80% standards to 50% of the median income. HUD is proposing that a new set of "Standard Rents" be used for determining the level of assistance to recipient household. The standard rent would be the 40th percentile area rent level for housing units of each size, excluding new units. All "decent, safe, and sanitary" housing units would be eligible, regardless of rent levels. Assistance payments would the difference between 30% of adjusted gross income and the standard rent.

*Evidence from the Experimental Housing Allowance Program indicates that the market does not respond this way.

	Current System- Section 8 Existing Program	Proposed System- Modified Section 8 Existing or "Vouchers"
Rent levels	Fair Market Rents: These rent levels are 50th percentile rents for rental units in the region The total of contract rents and utilities in assisted units cannot exceed these levels. Seattle-Everett area Fair Market Rents for 1981 are: 0 bedroom $274 1 bedrooms $334 2 bedrooms $394 3 bedrooms $493 4 bedrooms $539	Standard Rents: These rents are the 40th percentile of rents for units in the region. (Again, the rents include utilites costs.) Their purpose s only to determine the level of assistance for each certificate. Estimated Standard Rents for the Seattle-Everett area for 1981 are: 0 bedroom $248 1 bedrooms $303 2 bedrooms $357 3 bedrooms $447 4 bedrooms $488
Eligible housing units	"Decent, safe and sanitary" housing units with rents at or below Fair Market Rents. HUD Area Offices may exceed FMR's by up to 20% in certain circumstances.	Any "decent, safe and sanitary" housing unit. Participants may rent any price unit they wish, but additional rent above the standard rent will be paid by the tenant Conversly, rent savings realized by renting a unit below the standard will accrue to the tenant.
Inflation adjustments	Certificates are updated annually using new participant incomes, contract rents, and Fair Market Rents	Certificates would be good for 5 years with no increase in the assistance payment. (Periodic inflation adjustments in the standard rents would apply to new participants only.)

LOCAL IMPACTS

There are a total of 9379 households in Seattle receiving direct rental assistance under various HUD programs. Of these, 1957 hold certificates under the Section 8 Existing program administered by the Seattle Housing Authority. The estimated "universe" of HUD Section 8 units* in Seattle is as follows:

	Elderly/ Handicapped	Families	All Sec 8 Assistance
SHA owned public housing	3959	1891	5850
Section 8 Existing (privately owned	881	1076	1957
Other Section 8	1426	146	1572
Total	6266	3113	9379

*Does not include 2078 units with direct rental assistance payments under the Rent Supplement Program. Most of these units are for elderly and handicapped persons.

It is the impact on the 1957 households in the Section 8 Existing program with which we are concerned. The following table shows the estimated income distribution among the households in this group.

Estimated Income Levels, Current Certificate Holders

Income level expressed as a % of median income	Elderly/ Handicapped		Families		Total, All Households	
	number	%	number	%	number	%
0% to 20%	479	54.4%	631	58.7%	1110	56.7%
20% to 30%	249	28.3%	196	18.2%	445	22.7%
30% to 40%	80	9.1%	107	9.9%	187	9.6%
40% to 50%	63	7.1%	107	9.9%	170	8.7%
50% to 80%	10	1.1%	35	3.3%	45	2.3%
All income groups	881	100.0%	1076	100.0%	1957	100.0%

Note: Estimates based on 10% sample of current certificate holders.

It is HUD's intent eventually to replace the current Section 8 Existing certificates with the new modified certificates. The following are assessments of the major changes in the program: the increased percentage of income that HUD is requiring participant households to pay proposed for "phase in" over the next five years for current participants the change income eligibility from the 80% of median income based standard to a 50% based standard; the inclusion of food stamps for the purpose of determining the level of benefits; the elimination of a utilities allowance; and the implimentation of "standard rents" (replacing Fair Market Rents). The total impact of the changes is also assesed and summarized in a table on the last page. No attempt has been made to assess the long term impact of the elimination of an annual inflation adjustment.

Increased household contribution: The household contribution in Section 8 programs has historically been 25% of adjusted household income. As part of the FY 1982 budget, the tenant contribution was shifted to 30% of adjusted income. Regulations have not yet been ssued to mplement thi change, but it is HUD's intent to phase in the new participation rate for current certificate holders, probably increasing the requirement by one percentage point per year. The total impact, i.e., making the change in one year, wou d crease the amount the average Seattle participant would pay by $23 per month; the first year impact would be an increase of a little less than $5 per month. (See summary table below for impacts on elderly, handicapped, and families.)

Income eligibility changes: Reduction of the income eligibility from the current standard to the 50% of median income standard will have little impact on Seattle certificate holders Only about 2% of current Seattle certificate holders have incomes higher than the very ow-income standard. The change would thus make about 45 households ineligible for assistance under the new system. Over three quarters of the households eliminated are non-elderly families.

Food stamps as income: The more serious impact on Seattle certificate holders is the proposed inclusion of food stamps as income. While no data on food stamp

program participation was available in the sample, virtually all certificate holders are eligible. The average household coupon value for Public Assistance recipients is $105.46. Since housing assistance recipients are required to pay 30% of their incomes for rent, on the average, certificate holders will pay about $27 per month more in rent the first year of the "phase in", and eventually would pay about $32 per month more.

Standard Rent Implementation: Under the current program, recipients pay the difference between the required household contribution and the total of the contract rent and utilities allowance. This total is limited by Fair Market Rents. Under the proposed program, the assistance payment s the difference between the required household contribution and a new "standard rent", regardless of the level of the actual contract rent. Standard rents are to be defined as the 40th percentile of the same set of rental units and will thus be slighly lower rents for the same size units. In the Seattle-Everett area, 40th percentile rents are about 91% of 50th percentile rents.

Under the current system, the assistance level is the difference between the required household contribution and the total of the contract rent and the utilities allowance The proposed program has an important provision: assistance recipients will receive the diffencenc between their required contribution and the standard rent for their unit size regardless of the level of actual rent or utilities costs. Thus, certificate holders whose actual rent and utilities are less than the new standard rent would gain from this change, and those who pay more would lose. Implementation of this change in 1981 would have resulted in an average loss in assistance of about $8 per month. Note that this change in and of itself would actua ly increase assistance to elderly and handicapped households while decreasing assistance to non-elderly households. (See table below.)

Total impacts: The table on the next page summarizes the losses and gains attributable to each program change. Note that the impacts of the changes in the household contribution requirement and in the income definition have been shown for one year only.

HUD has estimated that annual per unit costs of the Section 8 program will be reduced from about $3200 to about $2000. This appears to be inconsistant with the estimated impacts on Seattle recipients: Total savings per unit in Seattle appear to be only about $40 per month or about $480 per year per unit for the first year.

The long term impacts, of course, will be more severe. At the end of the 5-year "phase in" verage assistance payments will have fallen another $22.62. Even this loss understates the real loss since program recipients will undoubtedly be paying much higher rents. Inflation in rent levels could increase average rents in the program by $100 to $200 per month per unit.

The analysis of impacts of the proposed program modifications is based on Standard Rent estimates for FY 1981. The estimates were made using 1981 Fair Market Rents FMR's) and preliminary HUD estimates of the ratio between 50th and 40th percenti e rents in the Seattle-Everett SMSA. Again, the Standard Rent estimates were made for 1981 in order to calculate the estimated impacts using 1981 program recipient data (ncomes contract rents, assistance payments, etc). The Standard Rent estimates are not predict ons of those HUD will promulgate for the actual program. HUD will include an inflation factor in calculating the new rent schedule.

Summary of Estimated Impacts On Monthly Assistance
Payments to Section 8 Existing Certificate Holders

	Elderly	Handicapped	Families	All Hslds
Average Assistance Payment, 1981	$173.78	$209.30	$294.32	$245.73
Changes in Program:				
o Change from 25% to 26% of income (1st year of "phase in")	-$4.20	-$3.60	-$5.10	-$4.60
o Change from Fair Market Rents to "standard rents"	+$14.55	+$8.10	-$24.47	-$7.96
o Requiring food stamps to be counted as income (1st year impact)	(Information not available for each household type)			-$27.40
Total Impact, 1st Year Only	?	?	?	-$39.96
Estimated 1981 Assistance Payment Under Revised Program				$205.77

Ms. KEETON. Mr. Gonzalez, we prefer section 8. We also, the counties—my neighboring counties in the Baltimore area—have pulled together the administrators of the existing section 8 program to do an evaluation of the voucher proposal, which the local governments have all approved. And I would be happy to share that with your committee.

It deals, in part, with the safeguards to be sure the unit is code-acceptable before they go in, for example. That is not addressed at this point in the vouchers. The modest housing counselor provisions have sometimes made it possible to negotiate with landlords and tenants at the point where things might have fallen apart without them. And there are a whole series of things that are not really paid attention to.

And the dollars do not work out. You are going to find people not having enough to both eat and have a roof over them, as she said.

We will share that with you.

Chairman GONZALEZ. Do you have that study? Is it finished, or is it in the process?

Ms. KEETON. No; it is done.

Chairman GONZALEZ. Well, when and if you can provide it, we will make it, with unanimous consent, an integral part of the record at this point.

[In response to the request of Chairman Gonzalez, the following letter, dated March 23, 1982, was received from Ms. Keeton:]

County Council of Howard County
ELLICOTT CITY, MARYLAND 21043-4392
992-2001

COUNCILMEMBERS
Elizabeth Bobo
Chairperson
Ruth Keeton
Vice Chairperson
Lloyd Knowles
Virginia Thomas
Thomas Yeager

Eugene Weiss
Executive Secretary
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Administrative Assistant
Jeanne Johnson
County Auditor

March 23, 1982

The Honorable Henry B. Gonzalez
Chairman, Subcommittee on Housing
and Community Development of the
Committee on Banking, Finance and
Urban Affairs
U.S. House of Representatives
2129 Rayburn Office Building
Washington, D.C. 21515

Dear Congressman Gonzalez:

Thank you again for the opportunity for representatives of the National Association of Counties, Conference of Mayors and the League of Cities to testify before your Committee on House Resolution 5731. I was personally very heartened to hear the Committee's concerns and questions, and to know there is leadership in maintaining the federal commitment to low-moderate income housing.

I am enclosing, as requested, the evaluation of the proposed voucher program by the administrators of the Section 8 existing units in the six jurisdictions in the Baltimore Region. Also enclosed is a summary regarding first, families using the Existing Section 8 Program, (the waiting list is 23,418 families in Baltimore City alone); and second, the impact of the voucher system on such households.

Thank you for leaving the hearing open to receive this information.

Sincerely,

Ruth Keeton
Vice Chairperson

Enclosures (2)

DEAF TDD NUMBER - 992-2323

RPC-3/21/82

NO NEW UNITS IN HUD BUDGET, 1983

Following rescissions of billions of dollars from Budgets in 1981 and 1982, the budget submitted to Congress in February asks for $684.7 million in budget authority for 1983, an extraordinary drop of $12 billion from 1982. The decrease in budget authority is due primarily to decreases in subsidized hosuing programs. The proposed budget calls for no new public housing or Section 8 units. Public housing operating subsidies will provide only 64% of needs under the performance funding system. Additionally the community development block grant and urban development action grant programs would remain at an already lowered level. The Section 8 moderate rehabilitation program will be replaced with a new Rental Rehabilitation initiative, using 30,000 modified certificates in connection with that program. Except for these vouchers, the balance of the 111,615 vouchers requested will be used for families already being subsidized by HUD programs, such as families living in 5,000 public housing units which are being proposed for demolition.

HOUSING VOUCHERS

This is now being called the "modified certificate program." The subsidy would be on a national average) $2,000 per household per annum. Tenants will pay 30% of income for rent (with food stamps being counted as income). Assistance will be limited to families whose incomes do not exceed 50% of the median for a given area. According to HUD's Budget Summary, "subsidy costs will be substantially lower utilizing this method and will allow the tenant discretion in determining the level of income to be spent to obtain standard housing."

There are several problems with this approach. Vouchers will be used to convert current Section 8 certificates to housing vouchers at the time of annual recertification, when the subsidy will be substantially lowered. There are no indications from HUD that a larger number of families will be served with "saved" dollars. In Baltimore City, the Section 8 waiting list is 23,418: these are primarily very low-income families. (The total waiting list for all subsidized housing programs in Baltimore City is composed of 46,108 families.) This list gets larger each month, and there appears to be no relief in sight for these households.

The Regional Section 8 Existing Program has 1,008 families under lease. The Program serves primarily minority, female-headed households with small children; 84% of these families are very low-income: nearly 70% are on welfare.

The Social Service payment in Maryland for a family of three persons is $3,240 per year, or $270 a month. In many cases, the current Section 8 subsidy is equal to, or more than, a family's entire monthly income. To give such a person the "option" of paying more than 25-30% for rent is deeply cynical.

Program data show that more than 80% of families included in the Regional Program are receiving subsidies over $2,000 per year. (Of those families who are receiving less than $2,000 subsidy a year a disproportionately large number are 1-bedroom elderly households with below market rents, living in rural areas.) Families who receive a higher subsidy will find it very difficult to stay in their units at current market rents, to wit:

Examine the case of the three person family living on social services income of $270 a month. A voucher payment (assuming the national average payment) is approximately $166 per month and 30% of the family's income ($81), total $247. The HUD Fair Market Rent for a 2-bedroom unit in the Baltimore SMSA is $355, which includes utilities. The difference is $108. If this family were to make up the difference, it would be spending $189 or 70% of its monthly social services check for housing alone! A sum of $81 would be left for food and clothing for three persons.

In Howard County, where the Fair Market Rent for a 2-bedroom unit is $394, this family would have to spend 84% of its assistance check for shelter, over and above the housing voucher payment.

The above figures are rough estimates. Percentages might be higher or slightly lower; deductions for minors were not subtracted, nor were food stamps added to income figures. Further, the vouchers payment is based on the national average.

Nationally, the Section 8 Existing Program is serving more than 80% very low-income families. The effect of having a subsidy standard of $2,000 will be economically devastating. Detailed regulations are not available; however, it is clear that the larger the family, the greater the economic impact.

Families under lease through the Section 8 Existing Program live in decent, safe, and sanitary housing. With the advent of a housing voucher system, it is likely that most of these families will be forced to relocate into inferior housing simply because they will not be able to afford to stay where they are. Most families in the Regional Program are minorities.

FOOD STAMPS WILL BE COUNTED AS INCOME IN DETERMINING ELIGIBILITY

Persons presently receiving Section 8 assistance will be dealt a double blow when they are recertified. In addition to having to pay 30% of income (to be phased in gradually from the present 25%) these families will have their gross income figures raised by whatever amount of food stamp assistance they get. Consequently, one government agency takes away whet another government agency gives.

EFFECT OF HAVING VOUCHER PAYMENT GO DIRECTLY TO THE CLIENT

Regulations are being drafted which will allow the housing subsidy to go directly to the family. If this occurs, the subsidy must be counted as cash income when a family applies for public assistance, thus lowering the welfare income. The end result of this could mean that families will not even attempt to use their housing vouchers for decent shelter, but will be forced to spend the subsidy for food and other necessities, or vice versa.

HOUSING QUALITY STANDARDS

Very low-income fami ies traditionally live in some of the worst housing in any community. If many of those presently housed under Section 8 are forced to move, such moves will more than likely be made into the worst of all available housing. There will simply be no other place for these families to go. To speak of enforcing quality controls in such housing is speculetive, at best.

EFFECT OF THE NEW PAYMENT STANDARD ON FAIR HOUSING

It is difficult for a family to ind adequate housing at reasonable rentals in a tight market (even those households with substantial incomes). Minority households, for a variety of reasons, usually experience the greatest difficulty. The Section 8 Existing program alleviated that situation to some extent. The Regional Program affords mobility to minority families out of deteriorated neighborhoods, by providing an economic ticket to do so.

For nearly half a century, the United States Government has been committed to the goal of decent, safe, and sanitary housing for every American. These proposed policies abandon and destroy this principle.

COPY

Regional Planning Council
2225 North Charles Street Baltimore, Maryland 21218 (301) 383-5838
...ugh Nichols, *Chairman* Walter J. Kowalczyk, Jr., *Executive Director*

November 17, 1981

Mr. William F. McKenna
Chairman,
President's Commission on Housing
730 Jackson Place, NW
Washington, DC 20006

Dear Mr. McKenna:

We write to express our views about operation of the proposed housing voucher system which will replace the Section 8 program. We are administrators of more than 7,500 units of Section 8 Existing Housing in the Baltimore Region, composed of Baltimore City, and Anne Arundel, Baltimore, Carroll, Harford, and Howard Counties, with a population of 2.1 million persons.

We are concerned about four aspects of the program: 1) whether the subsidy will be sent to the owner or to a participating family; 2) strict adherence to housing quality standards; 3) amount of subsidy and ceiling rents; and 4) continuing an inter-jurisdictional mobility option for eligible households. These issues, both separately and in combination, have a major effect on whether very low-income households are able to locate decent housing at affordable prices.

It is imperative that housing subsidies continue to be made directly to landlords Landlord participation is voluntary in the Existing program, and unless there is a substantial vacancy rate in a market area, landlords have little incentive to lease units to financia ly risky families. In a tight rental market, competition for adequate housing is a lopsided affair, and low-income fami ies are at a disadvantage from the start. Nonetheless, in the Baltimore Region where there i a growing shortage of rental units, owners have been persuaded to rent to Section 8 tenants because they are assured a steady cash flow from housing agencies for their subsidized tenants. Timely rent payments build owner confidence in the program; without such confidence, no program which involves the private market can be successful.

Another reason to have housing subsidies paid directly to rental agents is to monitor housing quality standards. Housing quality standared are what differentiate HUD programs from other housing income transfer systems, but unless standards are enforced, the housing conditions deteriorate rapidly. A Rand Corporation report of the Housing

Assistance Supply Experiment (October 1978 - September 1979) states, "Annual re-evaluation of recipients' dwellings shows that a fifth in Brown County and a third in St. Joseph County need repair, usually of items judged acceptable a year earlier. It thus appears that periodic rechecks of the condition of recipients' dwellings are needed to ensure that they remain free of hazards to health, safety, and decency."

If an owner does not keep rental units in good condition, the housing agency withholds payments until repairs to the property are made. This leverage guarantees that housing standards will be maintained. Without agency enforcement, thousands of families will be forced to live in substandard units.

Will ceiling rents and the size of the subsidy itself be adequate to serve the needs of very low-income families? Unless the subsidy is tied to the ceiling rent, and unless the ceiling is comparable to present Fair Market Rents, it is not reasonable to expect families to locate decent housing. In theory, the idea of allowing a family to pay extra money above the ceiling rent, or pocketing the difference, is ideal. The reality is that low-income families have no spare money to use for rents which might be higher than established ceiling rents.

One of the salutary effects of the Section 8 Existing program is that it allows disadvantaged families to find housing throughout communities. If housing assistance is lowered sharply, either through ceiling rents or small flat subsidies, it is likely that poor families will be restricted to living in depressed areas. Since the program will be open only to persons earning 50% or less of the area median income, it is essential that ceiling rents and housing subsidies be realistic, so that choices of housing location can continue.

Mobility of lower income families has been enhanced in the Baltimore Region. In addition to seven local Section 8 programs in the Region (families are issued certificates to remain in their present jurisdictions), the Baltimore Regional Planning Council coordinates a unique and highly successful mobility program. The effort allows Section 8 families to move freely throughout the Region for a variety of reasons, e.g. to live closer to work, to be near health services, to allow elderly persons to live near relatives, or simply to find better housing. One of the main components of the Program is a Housing Counseling network which provides extensive support services to Section 8 families. This is precisely the kind of administrative mechanism which the President's Commission of Housing called for in its Interim Report, dated October 30, 1981 (page 42, "Equal Opportunity and Housing Access"). At present, nearly one thousand families are leasing units through the Regional Program. This kind of option for inter-jurisdictional mobility should be continued in the housing voucher program.

The manner in which the issues outlined on the preceding pages are managed will determine how many needy citizens of our communities will be housed in the years to come, which is why we transmit our concerns to you.

Sincerely,

Dorothy Q. Taub

Dorothy Q. Taub, Administrator
Regional Section 8 Existing Program

on behalf of:

Sheri Bell, Coordinator
Housing Assistance Program
Anne Arundel County

F. Warren Brooks, Coordinator
Housing Assistance Payments
Baltimore City

Maxine Saunders, Coordinator
Baltimore County Housing Office

JoAnn Hunter, Housing Administrator
Carroll County

Amey Epstein, Coordinator
Harford County Public Housing Agency

David Zappasodi, Coordinator
Section 8 Program
Howard County

COPY

REGIONAL PLANNING COUNCIL
2225 NORTH CHARLES STREET
BALTIMORE, MARYLAND

RESOLUTION

ENDORSING POSITION ON PROPOSED HOUSING VOUCHER SYSTEM

WHEREAS, the President's Commission on Housing issued its Interim Report on October 30 1981 and

WHEREAS this Commission recommended in its report that the primary federal program for helping low-income families achieve decent housing be a consumer-oriented housing assistance grant (also known as housing voucher) and

WHEREAS, loca jurisdictions in the Baltimore Region have extensive experience in utilizing housing programs to assist their low-income citisens achieve decent housing; and

WHEREAS the Administrators of the Section 8 Existing program in the Baltimore Region have written to the President s Commission on Housing to express their concerns about the proposed Hou ing Voucher System; and

WHEREAS this letter was considered and strongly endorsed by the Housing and Community Development Committee of the Regional Planning Council at its meeting of November 17, 1981; and

WHEREAS, the Regional Planning Council has thoroughly considered the position taken by its Housing and Community Development Committee; and

WHEREAS, the Regiona Planning Council on behalf of its member local governments, is very concerned that a program making use of housing vouchers be designed in an equitable and efficient manner reflecting a realistic view of housing market conditions.

NOW, THEREFORE, BE IT RESOLVED BY THE REGIONAL PLANNING COUNCIL AT ITS 210TH MEETING HELD ON NOVEMBER 20, 1981:

That the Regional Planning Council fully endorses the positions stated in the letter to the Pre ident Commission on Housing, from the Region's Section 8 Program Administrators regarding the proposed housing voucher program.

AND BE IT FURTHER RESOLVED:

That the President's Commission on Housing be urged to carefully review and consider these positions before issuing its final report.

That a copy of this Resolution be sent to the President's Commission on Housing along with a copy of the letter from the Section 8 Administrators.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Regional Planning Council at its 210th meeting held on November 20, 1981.

Nov 20, 1981
Date

Signed by
Walter J. Kowalczyk, Jr.
Executive Director

Chairman GONZALEZ. Mr. Mayor.

Mayor PRIMAS. I do not want the committee to feel that I was certainly embracing the voucher program. I cannot think of any advantages over section 8. And we certainly would be supportive of section 8.

I think it is important to note the GAO report that indicates that it may not work and in fact it may be more costly to go through the voucher system.

But I just thought that it might be an option that we might be able to explore as part of the total comprehensive housing issue.

Chairman GONZALEZ. That is very clear and good.

Mayor PRIMAS. But not as a substitute. And I know it would not be effective in my city.

Chairman GONZALEZ. Thank you very much.

Mr. Wylie.

Mr. WYLIE. Mr. Chairman, I think the questions and answers have been extremely thorough, and I do not have any more questions at this time.

But I do want to take the opportunity to compliment the witnesses. This panel has been excellent and very responsive to the questions. And I think that it has been a very worthwhile exchange this morning. And again I want to thank you for taking the time to help us with this very difficult problem.

Ms. KEETON. We are grateful to be invited, because we feel so strongly.

Chairman GONZALEZ. You are absolutely right.

And I thank you, Mr. Wylie, because I think this has been the best from the West or the East, and we want to thank you once again.

The subcommittee will stand in recess until 2 p.m.

[Whereupon, at 12:10 p.m., the subcommittee recessed, to reconvene at 2 p.m., this same day.]

AFTERNOON SESSION

Chairman GONZALEZ. The subcommittee will please come to order, and we will resume our hearings.

We are honored to have this afternoon the Honorable Anthony Gliedman, commissioner, Department of Housing Preservation and Development of New York City; and Mr. C. Terry Ross, the president of the National Leased Housing; and Mr. Arthur W. Edwards, a member of the board of directors of the Council for Rural Housing and Development. Mr. Ross and Mr. Edwards have not arrived, so we will proceed with Mr. Gliedman.

STATEMENT OF ANTHONY GLIEDMAN, COMMISSIONER, DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT, NEW YORK CITY

Mr. GLIEDMAN. Thank you very much, Mr. Chairman.

The subcommittee, I understand, has been supplied with copies of my official statement. So, if I may, I would like to digress from that a bit and just talk about certain key aspects of it.

Chairman GONZALEZ. Well, without objection, we will present for the record your statement as prepared, and then you may proceed as you wish, summarizing or whatever you wish.

Mr. GLIEDMAN. Thank you, Mr. Chairman.

Obviously, the city of New York is greatly in support of the concepts contained in H.R. 5731. The directions presented there I think present a valid and viable and necessary alternative to much of the malaise that affects the housing industry today.

I congratulate you and your subcommittee for having that overall view, taking a full look at the economy and housing as part of that economy, and addressing it head on.

It seems to me that when you have a country that is facing a nationwide shortage of adequate housing in which the prices for that housing are well above the means of the vast majority of our citizenry, where we have a shortage of jobs, where we do not have enough employment in the construction industries, and we have industries such as the lumber pulp industries which are in tremendous difficulty throughout the country, where we have savings and loans and other banks collapsing, to withdraw from the housing sphere and to take a secondary role and not play a role in helping to resolve all those crises would not be in the best interest of the country.

I congratulate you and your committee for having faced up to those issues and trying through this bill H.R. 5731 to resolve them.

The answers simply cannot be inertia. It cannot be indifference. The problems will not go away because we ignore them or use other rhetoric to hide those problems.

In New York City we have obviously a somewhat unusual situation. But it is one that I think is not unrepresentative of the problems facing much of the country. We have a vacancy rate which is effectively in the minus numbers, minus 2 percent. The reason I say that is that there is a 2 percent vacancy rate in New York actually but 4 percent of the occupied housing is what they call dilapidated, having major service deficiencies.

So when you combine those two numbers, you actually have a negative vacancy rate for adequate housing. That does not mean housing without deficiencies, but without major deficiencies.

And we have recently had compiled a study based upon the U.S. Census data, which I am going to present to the chairman and to the committee, called "The Dynamics of Rental Housing in New York," compiled by Mike Stegman, who is the former Assistant Under Secretary of HUD. And I think you will find this to be interesting and also indicative of the housing crisis that confronts us nationwide in terms of rental housing.

The most interesting aspect of this report are that this crisis goes right across the board, Mr. Chairman. It is not solely a crisis facing the poor, facing the middle class, or facing the wealthy. It is a right-across-the-board crisis, and for each of these categories up to rents above $1,000 a month. There are virtually no vacancies in New York and there is no rental market in existence.

In addition to that, New York's median income for renters is, I think, $11,000 a year, well below the section 8 limitations. And I do not believe that to be atypical across the country in the renter households. These are traditionally people who have not been able

to accumulate capital either because of age or because of poor employment or education or whatever.

But you have people who do not have adequate incomes to be able to go out into the private sector and borrow money from banks at 17.5 percent. If they could borrow it, which they probably cannot, but if they could borrow it, they could not afford to pay it back.

We have over 31 percent of the people in New York City paying over 40 percent of their income for rent—clearly, a crisis-type of number and one that I suggest to you is not atypical across the country.

There is a need, I believe, and you have recognized, for a comprehensive program. It is not enough to talk about public housing. It is not enough to talk about one-family housing. It is not enough to talk about private housing and multiple dwellings. It is not enough to talk about section 8 or other interest-reduction subsidy programs. There is a need for a comprehensive program to address the housing needs of the United States, taking into account, as I indicate, the conditions of the various industries related to housing as well as the people and their particular needs.

The public must continue to play a key role in the development of housing in, certainly, the inner cities but, I believe, throughout the country. Looking toward the private sector to take over this field totally is simply unrealistic.

We have in New York City, I think, a very commendable record and a very interesting record, which I commend to your attention, in terms of working closely with the private sector to develop new housing. Most recently, that has taken the form of a major announcement of a cooperative venture between the New York City partnership, which is headed by David Rockefeller, together with the city of New York, together with HUD, together with the State housing agencies, to develop a joint public-private effort to develop housing for middle-income people in New York City.

And as recently as last night, Mr. Rockefeller, addressing a crowd in New York, spoke about the fact that the private sector is now looked at but the private sector cannot bear this burden alone, it cannot do it alone. It needs from localities tax exemption and tax abatements. It needs from the Federal Government interest subsidies so that in fact the money can both be available and able to build housing that people living in our cities can afford.

We have, as I say, in New York City been involved in this effort for the last several years. We have what is called a participation loan program where the private sector contributes basically half the mortgage money for moderate rehabilitation, the public sector contributes the other half through community development funds.

We have a section 8(a) loan program where again it is a mixture of bank and private financing together with local financing through community development funds. It is tax exemption.

Each of us, in short, must play our role, that if we look to the public sector to provide all of the answers, we must fail. But equally, if we look to the private sector to provide housing for people of low- and moderate-income, that is a fool's errand. And each of us here, I think, knows that that cannot succeed.

One final word, if I may. One of the, I think, best aspects of the bill before us, H.R. 5731, is in fact the failure to mandate or its lack of mandating certain particular programs on localities. Rather, the middle-income housing initiatives are spoken about in very general terms because in fact each locality, we have discovered, has its own peculiar circumstances. Clearly, the shape of those dollars, if you would, are very important.

We have had a very bitter experience recently in terms of moderate rehabilitation, in section 8, in that we have found that the Federal programs simply do not mesh, that, as you know, the tax exempt, the law that allows tax-exempt bonding is for one period of time, the length of time of the contracts is for a shorter period of time. We found that the scope of work required for FHA insurance is well beyond that which moderate rehab section 8 can supply. So when you try to mesh the programs, it does not work.

Therefore, clearly the best way of providing funds to get the biggest bang for the dollar is to allow a large amount of local discretion and local decisionmaking, within a Federal context to provide these housing units.

The last words I would like to say are in terms of the GNMA program, which your legislation proposes to continue and to allow it to play the important role in building out housing for people of low- and moderate-and-middle income, which is so urgent.

The changes in GNMA, the 235 continuation, I particularly commend you on. This is a program which is just now coming into its own to allow young people, particularly, to buy their first homes at numbers they can afford and then eventually join the mainstream, join the totally private market, but they cannot do that initially.

There is a need for shallow subsidies for programs which just help fill that little gap which prevents the young person, the innercity person, the young person in the country as well, as well as people who are first-time homebuyers from being able to make that dream a reality.

I commend you again on H.R. 5731. I think it is a major, positive philosophical and actual step forward. And I look forward to supporting you in your efforts on this matter. Thank you.

[The prepared statement of Mr. Gliedman follows:]

STATEMENT OF ANTHONY GLIEDMAN, COMMISSIONER OF THE CITY OF NEW YORK'S DEPARTMENT OF HOUSING PRESERVATION & DEVELOPMENT BEFORE THE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS - UNITED STATES HOUSE OF REPRESENTATIVES, MARCH 17, 1982.

On behalf of the City of New York, as Commissioner of its Department of Housing Preservation and Development, I am gratified to have the opportunity to testify before the House Committee on Banking, Finance and Urban Affairs. It is the sincere hope of the City that these hearings will result in the enactment of legislation which will further the maintenance of existing housing and the production of much needed new and rehabilitated owner-occupied and rental housing. I believe that many of the points embodied in H.R. 5731 are necessary components for the recovery of our severely depressed national housing industry. While the problems which confront the Congress are national in scope, I will confine my comments to those which face my City. However, I believe that New York's concerns are similar to those of many localities facing a crisis in the availability of decent affordable housing for our low and middle income families.

Indeed, in the City of New York, we do have a crisis in both the quantity and quality of housing available to large segments of the City's population. According to the City's most recently approved Housing Assistance Plan, over 870,000 households within the City are in need of some form of housing assistance. Either they reside in substandard housing, live in overcrowed units or pay a burdensome percentage of income for rent. These problems are

particularly severe for minority, elderly, handicapped and female-headed households.

Every three years the City conducts a survey and analysis of its rental housing stock. Maintaining our rental housing stock is crucial to the City, because 72% of all its families reside in rental housing. The results of the latest study, completed only last month, continue to show the seriousness of the housing crisis in New York. A significant percentage of the renter households in the City reported serious maintenance deficiencies.

The number of occupied rental units in such poor condition that they are classified as dilapidated increased since 1978 to 79,000, or 4.2% of the City's total rental housing supply. For minorities, these figures were more disheartening: 5.9% for blacks, 9.4% for Puerto Rican headed households. Not suprisingly, the poor were most likely to suffer from inadequate housing; 12.2% of families on Public Assistance in New York City live in dilapidated housing.

The low income of New York's renter population makes it increasingly difficult for the City to tackle these problems without outside assistance. In 1980, the median renter income was $11,000 and one of every four renter households had incomes

below the Federal poverty level. The real income of New York renters, when measured in constant dollars, has declined by 28% over the past decade.

Declining incomes, combined with rising costs, have resulted in an ever increasing financial burden on New York's renter households. More than half of all renter households pay more than 28% of their income for rent and utilities; 31% spend more than 40% of their incomes for gross rent. Quite simply put, the ability of many New Yorkers to pay for better housing has reached its limits.

The statistics I have briefly sketched out for you today, and are described in detail in the report which accompanies my statement, do not hold forth much hope for unassisted production of new or rehabilitated housing. Potential investors in the production of private market rental housing have looked at these same numbers and determined that building rental housing cannot be a profitable venture. Thus, the production of new housing has been in a severe and sustained slump. The low level of production has placed considerable stress on the City's housing market, where the vacancy rate for rental housing is currently only 2.13%. This significantly low vacancy rate is fairly consistent for all areas of the City and for all levels of rent.

The City's response to this crisis in housing has been vigorous. In partnership with the private sector as well as the State and Federal government, the City has been active in producing literally hundreds of thousands of apartments for New Yorkers. Over the past twenty years, the City and State have financed the construction of over 130,000 low and moderate income units alone. In recent years, the City has used Community Development Block Grant funds in combination with other Federal programs and resources such as the City's real property tax exemption and abatement programs to rehabilitate housing in many of our economically distressed communities. In the last fiscal year, we were able to rehabilitate over 17,000 units of housing, a ten-fold increase over four years ago. During this period, 8,000 more units were produced and rehabilitated than were lost in the City, marking the first time in more than a decade that we have been able to hold our own in our efforts to preserve our rental housing stock.

Therefore, the City views the proposed cuts in housing production programs called for by the Administration with considerable dismay. If the Congress were to approve the proposed rescindment for FY'82 and budget for FY'83, the City's efforts to provide decent affordable housing for its low and moderate income families would be devastated. Allow me to briefly describe what some of

the Administration's proposals would mean for New York City. The production of virtually all new or rehabilitated housing for those in need would come to a halt. Production of housing for the elderly and handicapped would be cut in half.

Those currently receiving housing assistance would see the quality of their housing decline, while they were forced to pay more for it. Proposed cuts in operating assistance for Public Housing would cost the City $66,000,000 in FY'83. This cut would force the City's Housing Authority to defer maintenance and repairs as well as close day care and community centers for senior citizens. Additionally, the Administration proposes not only to raise tenant rent contributions to 30% of income, but also to count Food Stamps as income and to permit rent increases at up to 20 percent per year to accomodate these legislative changes. Under the worst circumstances, these proposals could double the rent paid by a family over five years regardless of whether their cash income increases. Furthermore, the Administration proposes to limit housing assistance to families earning less than 50% of area median income, depriving the working poor of much needed aid. Finally, while the Aministration has not proposed additional cuts in the CDBG FY'83 budget, those enacted last year will cost New York City $40,000,000. Combined with the effects of inflation,

this cut can only mean a reduction in the number of units the City will be able to rehabilitate in its CD target areas.

The City of New York is painfully aware of the budget constraints faced by the Federal government. We recognize, as much as any locality, the dire consequences a government can suffer when it fails to live within its means, and we certainly do not blindly support the continuation of past programs regardless of cost. However, recklessly cutting and eliminating all programs without regard to their usefulness or effectiveness is not only callous, but counterproductive. The housing needs of our citizens will not disappear because they are ignored. Eliminating subsidies for the production of housing threatens to kill an already seriously ill industry lessening the hopes for an economic recovery, not improving them. Stimulation of the housing industry has proved to be the lynchpin of economic recovery during periods of recession. The stimulation of the industry, as proposed in H.R. 5731, would boost the overall economy by providing jobs in the construction trades and related industries, and by rescuing our much beleaguered savings and loan institutions from financial ruin.

Therefore, the City joins in the search for constructive alternatives to the Administration's proposals and takes heart in the introduction of H.R. 5731. We strongly support the concepts

represented in the proposed legislation as well as many of the bill's specific points. Passage of the bill would help enable the City to continue its efforts to provide housing to its needy citizens at a cost equalling that of the last fiscal year's already reduced housing budget.

Title I of the bill would provide a level of funding for community development activities equal to that originally proposed by the Administration for FY '82. This amount is less than was authorized in FY '81, but greater than the Administration proposes. The City uses its CD funds largely for housing rehabilitation and any cuts in the program will hamper our ability to provide much needed housing. Through the innovative use of CD funds, including the leveraging of private dollars, the City has been able to rehab units at 1/4 to 1/2 the price of the Section 8 Substantial Rehabilitation program. Another cost effective rehab program targetted to 1-4 family homes which passage of H.R. 5731 would continue is the Section 312 program. The City currently has over 1500 applications for 312 funding in its pipeline and we strongly urge continuation of the program, even if its is to be funded only from loan repayments.

The proposed legislation recognizes the need for continuation of housing production programs, at the same time it acknowledges that

93-366 O—82——47

past programs have been too expensive. The bill would authorize funding for 20,000 new units of Public Housing nationwide which is essential if we are to be able to aid our neediest families. In New York City alone, we have 165,000 families on waiting lists for Public Housing.

The bill recognizes the need for the provisions of adequate operating assistance for Public Housing. Failure to provide such a level of aid will only result in deferral of maintenance, which will require greater expenditures for repair in the long run.

H.R. 5731 would maintain the production of housing for the elderly and handicapped at the 1982 level. The authors of this proposal have clearly recognized that the elderly represent an ever increasing percentage of the population, and a population segment hard pressed by the increased costs of housing. For instance, in New York City, while 57% of all renters pay more than 25% of their income for rent, 71% of the elderly, many on fixed income, pay more than 25% of income for rent. Despite these facts, the Administration proposes to cut nearly in half housing assistance for the elderly in 1983. Social conscience dictates that, at least in this area, our previous efforts be maintained.

While the bill does not call for the authorization of any funds for additional Section 8 projects, it does recognize that the Federal government has an obligation to ensure that those projects which have been in the development stage should not be terminated simply because high interest rates have made their construction infeasible. If financing is not provided for projects in the pipeline, many communities which pinned their hopes for revitalization on such developments will suffer. Therefore, the City supports codification of the Financial Adjustment Factor, mandating the Secretary of the Department of Housing and Urban Development to adjust rents to reflect increased mortgage rates. However, since the intent of the proposal is to permit the fulfillment of previous construction commitments despite increased costs, I suggest that the permissible adjustment factor not be capped, but be allowed to float within a reasonable range. Given the current state of the tax-exempt bond market, in which interest rates now hover around 14%, such adjustments are necessary. The continuation of the Government National Mortgage Association Tandem Program for one more year, as proposed in this bill, is also necessary if the City is to be able to build the majority of the 7,000 units in its Section 8 pipeline.

As a replacement for the Section 8 New and Substantial Rehabilitation Programs, H.R. 5731 proposes a new production vehicle which

would facilitate the construction of affordable new or rehabilitated rental and cooperative housing, without tying the Federal government to long-term ever-increasing subsidies. The program would authorize HUD to provide front-end capital to subsidize the production of such housing in areas suffering from a severe shortage of rental housing. Twenty percent of all units produced under the program must be retained for low-income families. We believe that such a program represents a thoughtful alternative to the continuation of Section 8, reconciling the need for a continued production vehicle with that for budgetary restraint.

As important as the dollar value of the assistance to be provided under this multi-family housing production program is the manner in which such assistance would be offered. This proposal would allow the City to target assistance to a range of income groups allowing us to maintain the mixed income nature of New York City neighborhoods. We have known for some time that a mix of income groups is required to maintain vital and stable communities. The proposed production vehicle would permit us the flexibility to continue our community building efforts.

Along similar lines, it must be noted that the recently enacted legislation which all but eliminates housing assistance for those families earning between 50% and 80% of the area median income

will have extremely negative effects on the working poor and the neighborhoods in which they live. The City therefore urges the Committee members to consider the repeal of this limitation.

Finally, the bill would provide for a limited renewal of the Section 235 program, providing assistance for first time homebuyers. The City of New York is currently making use of the 235 program for the first time. We have been able to use this program, by providing City-owned land, improved through the use of funds from CD and the City's own capital budgets. The City supports continuation of the 235 program because it believes that efforts to stabilize and revitalize inner-city neighborhoods can no longer revolve solely around the development of high-density multifamily rental housing, but must also rely upon providing lowdensity owner-occupied housing opportunities. The 235 (q) program, which H.R. 5731 would also revive, provides for targetted assistance for a limited time period. This limited assistance could provide a significant boost to the housing industry as well as offer the City additional flexibility in meeting its housing needs.

H.R. 5731 proposes a well reasoned housing program within the context of fiscal responsibility. This proposal offers a range of initiatives to meet the various housing needs throughout the

country--needs which have become increasingly apparent as previous Federal resources are withdrawn and the overall economic climate continues to deteriorate. For New York City in particular, this program holds out the hope that we will be able to continue to improve the supply of rental housing and to provide increased opportunities for homeownership.

New York City has had many years of experience in administering Federal housing programs and gauging its own housing needs. I believe that we know how to meet the City's needs in the most efficient and cost effective manner. I therefore urge the Members of the Committee to consider legislation which would channel housing rehab and construction funds directly to localities with proven track records and to permit such localities the maximum flexibility to design and administer programs which will best meet local needs. Such an approach would be consistent with the rational application of the New Federalism. Furthermore, although I am keenly aware of the sentiment to cut down on long-term Federal commitments, I ask the Members to bear in mind that the development of a long range housing policy requires the commitment and assurance of future funds. We cannot ask the private sector to enter into a partnership of long-term interest when the government shows no interest in making an equal commitment.

In conclusion, I must urge the Committee Members to consider H.R. 5731 as a necessary and justifiable alternative housing program. This Administration has yet to propose its alternative to the wholesale abandonment of the Federal commitment to help meet the nation's housing needs. Unless Congress approves this proposal, or one similar to it in concept, there will be no Federal housing program whatsoever and the disastrous effects of such a decision will be felt throughout the nation.

I thank you for the opportunity to offer these comments.

Chairman GONZALEZ. Thank you very much. I deeply appreciate that, Mr. Gliedman. And I think everybody else on the majority side, who have unanimously endorsed in the subcommittee the bill which was forged after many, many weeks and after continuing association most intimately with the Budget Committee, for example, and with the various organizations that represent the cities, the counties, the States.

But above all, we have had the great assistance of a great Congressman. Even though he is relatively new, we have continued to admire his talent and his preparation. And that is your own Congressman, Chuck Schumer, from New York, and, of course, as he will show after a while, should get a tremendous amount of credit for the actual putting together of this bill.

And the only thing I was going to say at this moment—and you have covered what I said earlier by way of introduction to the hearings this morning, you have already covered it very well, very eloquently.

But I have several questions because of the questions asked by some of these administration spokesmen and some of the members of our own subcommittee on the minority side. And I had one thing that was bugging me, and it was answered.

But the biggest thing that still bugs me, and I think it is very important to get some reaction from you, is the suggestion that is being made very insistently that there be a diversion of your CDBG moneys for construction purposes. I know, and your statement reflects and your past testimony has stated, that you were doing that already in the case of rehab and other related activities very well, very successfully.

You see the track record of New York City has been, I think, a success story in the innovative and the seminal thinking and use of these Federal tools. And therefore, we look to you for a great deal of experienced leadership.

But consistently, and what we are going to face here, especially when we get to the Senate, is why not answer this by diverting CDBG funds and particularly where there is no assurance implied or stated in making the suggestion that there will be a sufficient

amount of funds that would make it realistic to divert from that fund.

And you may be aware of that, because this essentially has been the position of the administration up till now in explaining their budgetary nonprogram for housing production, particularly rental.

So I was just wondering what you thought of that or if you are in a position to give a statement on that.

Mr. GLIEDMAN. I would very much like to comment on that, if I may. The city has in fact used CDBG funds to help with new construction in a variety of ways within the law as it presently stands. And for example, in the 235 program, it could not work in New York City were it not for a subsidy frequently as high as $10,000 a unit of CDBG subsidy money that is going into site preparation, and so forth. So we are playing that active role.

The problem is that there has to be, I think, as I say, a comprehensive program when you are talking about both numbers as well as new construction. It is hard to merge the two with the existing funds that we are talking about. Our community development block grant funds for this last year, for example, dropped from $262 million in 1981 to fiscal year 1982's number, which is $220 million or so. So we lost almost 20 percent through various means of our CDBG funds.

It has obviously been tough to expand and move into new construction. But when you are talking about $220 million of funds, if every dollar of it were used for the 17,000 units of rehabilitation that we began last year, if not a cent of it were used to help people of low- and moderate-income better their circumstances in a variety of ways, but all of it went into new construction, you would only be talking about 3,000 or 4,000 units of housing.

That would be taking everything. That would be meaning no fuel programs for people of low income, the owners of whose buildings are not supplying fuel that winter. It would mean less code inspections. There would be a whole variety of things you would be trading for those 3,000 or 4,000 units of housing.

I suggest that is why we need a comprehensive effort. The city's role, I think, should be in terms of tax exemption, tax abatement, carrying on the rehabilitation, providing some kind of coverage. And if the Federal Government can come in and help with those several thousand units of new construction a year which are needed to help rebuild the most devastated neighborhoods, I think that would be a good combination, and we would be very effective.

Chairman GONZALEZ. It was stated that New York had suffered a loss of about 20 percent of their funding. Was that CDBG?

Mr. GLIEDMAN. Yes, it was a 13-percent cut off the top, and then there were the second-round cuts, and then the small-cities entitlement portion cut into it as well. So my recollection, Mr. Chairman, and this is off the top of my head, is that it went from 262,000 to 220,000, approximately. So, whatever that is.

Chairman GONZALEZ. I had the similar experience with my own hometown mayor as you had with your mayor. We were trying to wage the good fight a year ago when we got submerged with the budgetary steamroller and had to face, not the merits or demerits of this program or the merits or demerits of the case of New York for sustaining the level of funding, but whether or not we were

going to goosestep in conformity to the reconciliation mandate or decree. I call it a decree.

And, of course, this year, now we cannot escape it; we have to confront this. The Congress has to make a decision, a fundamental decision, regardless of what Mr. Reagan feels.

But the mayor of our city also did the same thing as your mayor, and that was to say that, well, we can live with it, it is not too bad, we are going to get along. The mayor said, well, I cannot afford to antagonize, I have got to work with them for 4 years.

And I said, no, you are wrong. They have 4 years, you have only 2.

But it is what I call the "Koch–22" dilemma. [Laughter.]

And I have been disappointed in my former colleague in some respects along this line.

But as to my other question. Last year we had witnesses following the testimony of some other New York witnesses. And one in particular was very, very impressive.

With the statistics you just gave us on the availability or nonavailability of rental housing, are you beginning to sense or register the point of no return with respect to social disorder, rent strikes, squatters, as in Berlin, as in Brussels, as in, I think, even England, and where you have had violence.

The witness last year just predicted it flat outright. Do you detect anything on the threshold now in New York? I think that we have to be cognizant, though we may not represent areas as densely populated as New York, that it is a national responsibility that we accept.

And I just wonder, because while we are dillydallying here and acting, as you well point out, as if there is no real America out there with urgent, crying needs, we ought to be talking in terms of emergency, in my opinion, up here. And this bill, which I again thank you for supporting, is really a great withdrawal on my own individual part. But after all, I am only 1 out of 33 members on the subcommittee, and I accommodate to reality.

So I am just wondering, how potential is this danger factor?

Mr. GLIEDMAN. My gut feeling is that it is a very real potential, that, in fact, as people become more and more frustrated, knowing that there are no alternatives for them, that there is no money coming in, there is no future, I think the tenseness builds.

I mean that one of the things that we have, I think, done fairly well in New York City is, in fact, to use those same tensions to help people rebuild their own housing from within. For example, our program where we recycle, recirculate, if you would, buildings that we take over from owners for their failure to pay taxes, and we help rehabilitate them, and then either sell them at auction, or sell them in many cases, Mr. Chairman, to the people that live in them, as low-income co-ops. We sell them often for as little as $250 an apartment after being rehabilitated, after they are trained how to own and manage their own buildings.

And nobody has sold the building under that program until they have had a chance to own and to manage it, rather, for 1 year successfully. And if they cannot make it the first year, then we train them again a second year, and then a third year, if necessary. So

far, that has not been necessary. But to make sure that they know how to operate a building well.

So, first you put the building in decent shape. Then you train people how to manage it. And then you sell it to them. And this opportunity of owning your own home has, I think, been a tremendously successful program in New York. And it is not an experiment. It is not a promise. It is not a proposal. We have already turned over title to over 2,000 apartments in New York City to the tenants, and tenant groups on their behalf.

And I expect this program will in New York City be a 10,000 to 15,000, unit program, totally, over the next 5 years. And various other homesteading programs that we are into to allow people to work within the system, using CDBG and local funds as a way of rehabing their own homes so that they can have, in fact, a piece of the action.

You may have noticed the other day, we had a lottery in Harlem, for example, where we used community development funds to create a low-income loan pool. And we chose people's names who would be eligible for that after getting preliminary eligibility on income and other criteria for who would win.

And the quote of the day in the New York Times was a woman, Mrs. Samuda, whose name I happen to remember, who said, "This is the first thing I have ever owned. I now have a piece of the rock."

And another woman, another one of the winners, a woman with two young children, said, for the first time in her life she would have something to leave to her children. And that is the kind of attitide I think homeownership with rehab in these neighborhoods can mean. And I certainly would encourage anyone on the committee to come up and take a look at some of these.

It is a very exciting trend. And without that, I think that the bottom line you are talking about, people taking over because there are no alternatives, moving in directions without direction, if you would, is a real possibility. And I certainly hope we can head that off.

Chairman GONZALEZ. Thank you very much. I compliment your imaginative approach.

I will now recognize Mr. McCollum.

Mr. MCCOLLUM. Thank you, Mr. Chairman.

I would like to comment that I do find this to be a fascinating approach you have described. I am intrigued by it. I really have no questions to ask of you. But I do commend you for the innovation and the apparently good order and work that you have done in this area, which looks like an example for a lot of other people around the country to follow.

But I would yield back my time.

Chairman GONZALEZ. Thank you very much.

Mr. Lundine.

Mr. LUNDINE. I have no questions.

Chairman GONZALEZ. Mr. Garcia.

Mr. GARCIA. Thank you, Mr. Chairman. I just would like to state for the record that those of us who represent the city of New York are indeed fortunate, because I think that Tony Gliedman has not only been an outstanding New Yorker, but he has been one heck of

an administrator, and a person who has really taken charge of housing in New York City during these most difficult days.

I feel if Tony Gliedman had not been there, we would probably be in grave trouble in the city of New York.

As bad as it is, Tony, it would have been worse. And I do not often get an opportunity like this to place on the record my feelings about you. And I am not looking for any special section 8 housing or anything like that—well, maybe one or two. [Laughter]

But the fact is that I am delighted you are here, and I think your testimony has been right on target. And we have had a chance to go over some of your statement.

Just let me ask you one question, which I feel quite strongly about and which has gained a great deal of national publicity.

Recently, Pratt Institute, which is located in Brooklyn and New York City, came out with a statement about the applicability of the voucher program in New York City. I would like to ask you, what type of impact would the voucher system have on the city of New York?

Mr. GLIEDMAN. I think the housing voucher program, as it is most currently described, where it does not relate to rehabilitation, but rather helps some individuals be able to support their rents easier, is a misuse and a misdirection of public funds.

I think that it would not help the poor find decent housing. And to the extent that it did, it would only do it at the expense of other poor people that would otherwise be living in that decent housing, because it does not stay with the housing unit. It cannot be used for rehabilitation.

Well, the administration originally indicated that they thought it might be able to be used for rehabilitation. They are now abandoning that position, and they are recognizing the fact that you cannot use these vouchers to build communities, to rebuild the neighborhoods, to even rebuild an apartment.

It simply is not usable in that fashion. So what you have is you are only getting one bang for the buck when you can get two, three, or four for the same dollar. That same dollar, if targeted properly at a decent shape, tied in with rehabilitation or new construction or whatever, can not only help that individual find housing but help create that housing.

And most importantly, though, Bob, you have the fact that the housing voucher in a city such as New York, where you have a negative vacancy rate, cannot be effective. And that is exactly what the Pratt study found, as you indicate. What would occur is that people of low and moderate income and the ones that qualify, particularly those with families, who are, by and large, unable to use the housing vouchers, that in fact they could not find apartments that met the criteria, that is, being in good condition, which with the housing voucher they could now afford.

And so that cannot be. While it can form part of a housing program, because clearly there is an important role for housing-type vouchers to prevent displacement, to make sure that neighborhoods remain economically integrated, there is certainly a key role, and to make sure that rehabilitation programs can occur.

What it cannot do itself is cause rehabilitation or to rebuild neighborhoods.

Mr. GARCIA. Just one further question, if I may. The administration is about to offer a program or is offering a program which will allow the transfer of public housing, new construction dollars to operating subsidies accounts. And in addition, some of the new construction dollars can also, I understand, be used for modernization activities.

What is going to be the impact of the transfering of these dollars? Are they really going to be useful?

Mr. GLIEDMAN. My concern is that it would be used as a cover for actually cutting back the funds. And if that occurs, what would happen would be we would be mortgaging our future, as New York City did, perhaps, in the early 1970's, wrongfully. And I commend you against that.

By not allowing the moneys to go into the modernization and into the building of new public housing, we are eliminating the possibility of public housing in the future. We are saying that instead of putting in a new burner or a boiler so that this building would have heat, we would be helping pay for some handyman's salary. You cannot do it that way.

And eventually, Bob, the mortgaging of your future, I think, would be very, very destructive. So while I like the flexibility, if that flexibility is in fact a cover for cutting back the funds, I really must warn you against that.

We did that in New York City in terms of our general obligations, much to our misfortune.

Mr. GARCIA. Thank you very much, Mr. Chairman. I will yield back the balance of my time if I have any.

But before I do, I have a study here called "The Impact of a Housing Voucher Program on New York City's Population." And with the chairman's permission, it was prepared by the Pratt Institute in New York, I submit it for the record.

Chairman GONZALEZ. Without objection, that will be fine. And I thank the gentleman for that.

[See the hearing record of March 23, 1982.]

Chairman GONZALEZ. Mr. Schumer.

Mr. SCHUMER. Thank you, Mr. Chairman.

Thank you for the kind words. And this is a very distinct honor for me. I think it is the first time, at least since I have been in Congress, that one of my constituents is testifying. There has not been a long line of constituents at the door of people wanting to testify. But if they do half as good a job as the first constituent who has testified, Commissioner Gliedman, our district will be represented very well.

I have a bunch of questions. Some of them relate to things that were brought up this morning.

Chairman Gonzalez is very kind to say that I played such a role in putting together this bill, but it is he who really deserves all the credit for putting it altogether in a package. And once again I compliment him and the staff.

But one of the questions that we have been wrestling with, and we did this morning when the people from the U.S. National Conference of Mayors and the National League of Cities were here, was the question of shallow versus deep subsidies.

It is no secret that section 8 is a program that I thought was quite effective, but has come to be discredited in some part because of waste, but probably more so because it is very expensive. When you have a deep subsidy, it is extremely expensive.

Therefore, that is the question on which I would just like some enlightenment from you. I know you have thought about the issue in terms of a deep subsidy for a small number of very poor people or a shallower subsidy for a larger number of still poor but not the most poor, not exclusively the very poorest people.

Mr. GLIEDMAN. I think that the answer lies in the comprehensiveness of the program that we need. As I indicated, I think the very shallow programs, the localities should be between tax exempt and tax abatement, CDBG funds and so forth, should be able to carry that burden.

Where I think we would look toward the Federal Government for help would be in terms of the deep and the not shallow, but the shallower subsidies. And those are the roles that I think the Federal Government can most effectively play.

The locality certainly bears a burden in providing housing for its people, and we must put our local funds and discretionary funds into that rehabilitation, for example. But where you are talking about a gut rehabilitation, a total rehabilitation, and new construction, clearly that requires Federal funds and could not be done in any other way.

Now, in terms of the income classes or rent levels that could be effectuated, I certainly believe that there has to be an adequate mix. We must make sure that in fact there is adequate and decent housing for people of low and moderate income. In New York that is why we have put so much effort in terms of the in rem programs. And we are, I think, making a dent there.

An interesting statistic which is in this report is that for the first time in several decades there has been a net gain of housing units in New York City. I am very proud of it because 3 years ago the previous study showed it to be a 60,000-unit loss in New York City over the previous 3 years. Now it is a net gain of 8,000. So I am very proud of that.

And I think the reason for that is the fact that we were able to preserve the housing that people of low and moderate income live in so that those units were not lost to the stock. But I believe there is a real need for a mixed program. And I look towards that mix coming out of this Congress. There has to be public housing. There has to be, I think, a middle-income program as well.

Just one other thing I would like to say, which is that there are so few votes that today one can cast proudly and happily. And mine for you, Congressman, was one of those. I am a proud constituent.

Mr. SCHUMER. Thank you very much.

Another question. This morning a number of people on the other side, including the ranking minority member, suggested that we might just take the money that we have put into this rental program and maybe even for the single-family program, and put it into the CDBG program—just give it to the cities and thereby avoid all bureaucracy, all encumbrances, and get the money to go quickly.

What would be your view on that? It had been expressed by some of the Mayors, and it is a view that I share, that housing would not receive too much of that money, and certainly not new construction. But I would like to know your view of it.

Mr. GLIEDMAN. Well, I think the problem is, in the times we live in, that your concern is well justified. I think that 2 years ago I would have supported that move. But at a time when the Federal Government is pulling out of its support for so many of the basic services and in arranging from revenue sharing to UMTA to whatever, that in fact there would obviously be, I think, across the country a tremendous likelihood of that money being put to other important uses.

I do not think, 2 years ago, that would have been the case. If you asked that question, 2 years ago, I am certain I would have said put it in CDBG. I still believe in New York City that that would be the case. And since I am commissioner of New York, I can only really relate to that. I believe that the Mayor and the other elected officials in New York are firmly committed to using the majority of our CDBG funds for housing.

This last year, 73 to 74 percent of it goes into housing, housing-related programs. And I believe that would at least continue, Chuck, if not increase. So in New York I am not that concerned.

But I think you are seeing cities around the country facing major fiscal crises, and I know what happened in the early years of CDBG when New York was facing that type of fiscal crisis. And I can tell you from experience, if I may, in just a moment, that I would estimate 85 percent of that money was used for budget balancing, and very little of that when we were in fiscal crisis went for housing or any solid service.

And I believe that cities around the country are now in the shape that we were in 1975 and 1976, where their assets of cash flow and cash flow simply do not equal their revenues, and they will be looking at any funds coming in as to keep up their police forces, their fire departments, which is important. But I believe you are right that it would be redirected.

Mr. SCHUMER. One other point about CDBG. The amount of money that would go to the areas that most need it might not happen. CDBG is very broad based. And you know, David Stockman supposedly, according to that article in the Atlantic, turned against government spending because CDBG was used in his prosperous western Michigan community to build tennis courts.

I assured Mr. Stockman that we did not build any tennis courts with our CDBG money.

Just one other question. That is, you have looked at the program, the multifamily program that we have put together. And it tries to balance the need to see that money is directed at housing programs while giving the locality the flexibility so it could be used the way each locality sees fit. And each locality is considerably different.

Do you think we have erred on the side of being too flexible, not flexible enough? We have to say, and I guess it could be stated here publicly, that given the lack of commitment to housing, certainly in OMB and maybe in other places in the administration, we do not want to just give the administration complete carte blanche.

Mr. GLIEDMAN. I think that is fair. But I must say our experience with Secretary Pierce and others in HUD has been, on the whole, extremely positive.

But getting to the particular point at hand, the experience with the UDAG approach that you are suggesting, the UDAG-type approach, I mean we very strongly favored it. We have some major problems with UDAG as they presently have been described.

I mean, for example, you cannot presently do what they call a programmatic UDAG. You cannot say, we would like to—and you should be able to, I think, be able to say—we would like to give loans in this neighborhood for this type of building with this kind of level income people living in it at this kind of interest rate with this much private sector—generally describing, in other words.

What they require at this point in time is the exact definition of which building, which tenants, which whatevers. And the problem with that is that deals do not stay constant 4, 5, 8 or 10 months at a time. And that is what it would take to put together a package, go into this UDAG pool, or HUDAG or whatever it is going to be, pool and come in and apply.

For example, this last year we had a wonderful program to leverage private capital on a 3-for-1 basis in terms of putting in boilers in buildings that really needed it. And we have tried to do that for UDAG, and we could not tell them 5 months in advance the addresses of buildings that we were going to have boiler troubles of major size.

If a building has a boiler trouble of major size, I cannot wait 5 months to process the papers, and I cannot tell you 5 months from now exactly which building it is going to be. But actuarially, I can tell you that there will be x number of buildings that will be able to participate in this program.

Mr. SCHUMER. Thank you.

Thank you, Mr. Chairman.

Chairman GONZALEZ. Thank you.

We are honored by having once again the chairman of the full committee, Mr. St Germain.

Mr. ST GERMAIN. Thank you, Mr. Chairman.

On page 9, at the very end, you say, "As a replacement for the section 8 new and substantial rehab programs, H.R. 5731 proposes a new procedure or production vehicle," et cetera. And then on the following page you allude to the 20 percent of all units produced under the program that must be retained for low-income families.

This morning we had a panel of witnesses, I think, the majority of whom felt that the 20 percent units produced for low-income families might be a little low. Do you have any opinion on that?

Mr. GLIEDMAN. Do you mean that it should be above 20 percent for low income?

Mr. ST GERMAIN. Right.

Mr. GLIEDMAN. I do not believe that that should be required by law. I think that we are going to need a substantial amount of flexibility if we are going to make the program work. And I think 20 percent sets a minimum, not a maximum.

Mr. ST GERMAIN. You are right. It does.

Mr. GLIEDMAN. This is a very positive, I think, approach. What we have found, as you know, is that when we have tried our best to

engineer nationwide, it is sometimes very difficult. And so I think your approach is right on target.

May I just say one other thing, though, which is that again I just want to personally thank you, Mr. St Germain, for all of your efforts in helping us with particularly the 235 extension. That was a remarkable achievement and one which all of us in New York are very appreciative of, as well as, obviously, Mr. Gonzalez and Mr. Schumer as well. I just could not appear here without saying that.

Mr. St Germain. Well, you made a good case. [Laughter.]

Mr. St Germain. And you have some pretty effective members on the committee as well. I am sure you are aware of that.

Incidentally, in answering Mr. Schumer's questions, you said in New York you would not be too concerned about the amount of funding that would go toward housing from CDBG funds. You cited the present mayor, but I understand that Mayor Koch may not be mayor much longer. He has higher ambitions. I do not know if they are really higher.

But at the bottom of page 10 of your statement you say that: "Along similar lines, it must be noted that the recently enacted legislation which all but eliminates housing assistance for those families earning between 50 and 80 percent of the area median income will have extremely negative effects upon the working poor in the neighborhoods in which they live. The city therefore urges the committee members to consider the repeal of this limitation."

I do wish you would elaborate on that for the benefit of the committee.

Mr. Gliedman. Yes. Thank you. This is a very important point that Bob Garcia and I spoke about at length. And the problem basically is that we today have income mixes in our neighborhoods that I think we would very much like to try to keep. When we talk about income mixes, we are talking about the poor and the very poor; we are not talking about subsidizing people that are well off, that are not paying already an extremely high percentage of their income for rent.

In order to build neighborhoods, we believe you have to have somewhat of an income mix. To have all public assistance level families, for example, living together we do not think is a conducive for a long-term creative neighborhood-building process.

Our experiences, for example, in the high-rise public housing has been much less successful than where in fact in that same public housing milieu we put people of a little bit broader income mix, so that you had the working poor together with the public assistance.

And, for example, the program, as I understand it, that requires a substantial part of the units to be for the very, very low income, but not all, I think just makes a lot of sense, because there you have role models, you have abilities to progress, and you build neighborhoods around the strongest models we have.

If you take a look at the South Bronx, for example, you will find that there are very strong neighborhoods still in the South Bronx. The picture of it is a land of devastation. That is totally wrong. But it is made up of working class people. And if we are going to let those working class people be part of the rebuilding effort, we cannot chase them out when we build new housing. We cannot say, we are going to build new housing across the street but working

people cannot apply. That just is not healthy in terms of building neighborhoods and communities.

So I think it is a very important piece, if we are into community-building, not just housing-building, not just helping an individual isolated from the rest of society, that in fact we have a broader income range, up to the 80 percent of median level, which in New York is still quite low.

Mr. St Germain. I appreciate your answer. I think, frankly, that I would like an even more elaborate reply, perhaps an analysis giving the factual situation, because this was one of the items in conference last year that we really fought hard on. And I must commend my colleague Bill Stanton, ranking minority member, who did a lot of the negotiating.

Chairman Gonzalez will remember that Bill was with us on this, he really was. And as a matter of fact, if my memory serves me correctly there was a fellow named Bill Widnall from New Jersey, who at the time was ranking minority member, who was one of the big proponents of the income mix that was an essential component of the section 8 program when it was created. He was a very enlightened member.

He went to Brown University, which was great. [Laughter.]

The only mistake he made along the line is that he was a Republican. But other than that, he was a great guy.

Mr. St Germain. So as I say, I want to see if we cannot correct the problems that reducing the income eligibility has caused this time around. But we will need as much factual information as we can possibly have at our disposal, because the Senate really dug in on that one.

Mr. Gliedman. I think we have some very good facts to support that. I mean, nowhere is it clearer than when you go in to rehabilitate a building, obviously the rents must be restructured to be able to pay for that. If in fact you have the working poor in that building, they are then faced with two alternatives: either paying a very high percentage of their income for rent, because they cannot get a section 8 subsidy, or being thrown out of their own building because it is being rehabilitated.

And this antidisplacement aspect of it is a very key role for why the 80–50 is so essential. And I certainly look forward to providing you with data, with facts within individual buildings, and with stories of people that would otherwise have been adversely affected or were adversely affected by that 80–50 rule, as well as giving gross numbers, because obviously the horror of it is so more clearly seen in terms of individual neighborhoods which were disrupted for that reason.

Mr. St Germain. Yes, because in the argumentative stages of the conference the other side just came up with generalities, whereas if we could show the specifics as to where this has had a negative impact we might have a stronger case.

Mr. Gliedman. I would be happy to do that.

Mr. St Germain. Thank you.

Thank you, Mr. Chairman.

Chairman Gonzalez. Thank you, Mr. Chairman.

Mr. Lundine?

Mr. LUNDINE. Mr. Chairman, I would like to take the leave of the committee to remind the distinguished gentleman from Rhode Island and the distinguished chairman of this committee that if anyone has the opportunity to extend their constituency out of New York City into the rural reaches of New York, that is a move upward and onward. [Laughter.]

That is not necessarily an endorsement for the candidate. But I wanted that very clear, that whatever Governor Carey's reflection on his office might be, I can attest that it is a great additional constituency that does not live in the city of New York.

You have underlined the very points that I wanted to make, and I guess I only want to say that this is the most incisive, articulate support of a new concept and sustaining some older concepts, that is in a housing program, that I have seen in a good deal of time on this committee.

I would observe that I seriously think that the very mixed income arguments you are making for a highly densely populated area, such as the city of New York, apply just as much in the rural areas. And one of the reasons that I would hate to see us, in the name of trying to help more poor people, increase this 20-percent requirement is that it allows us to leverage so nicely the private developers building more housing and not create new ghettos, particularly with respect to the family housing aspect.

So I think your really incisive support of that concept would apply, not only to New York City, but elsewhere as well.

Mr. GLIEDMAN. Well, I totally agree, and I think you have really in fact given it a depth that I suspected as Commissioner of Housing for New York City. But clearly I have to talk from my own experience, and I appreciate your confirming my view, and I thank you for that.

Mr. LUNDINE. Thank you, Mr. Chairman.

Chairman GONZALEZ. Thank you, Mr. Lundine.

Have Mr. Ross and Mr. Edwards arrived?

Now, if you desire, Mr. Gliedman, you can continue to sit there, because we had arranged originally to have the three-man panel. Or if you feel that you have urgent business that you must tend to in the interim, why, we deeply thank you once again for your presentation. It is most valuable. I cannot tell you in words how valuable.

But you are welcome to remain there if you want. Whatever your option is we would respect.

Mr. GLIEDMAN. I appreciate the offer of staying. I do have an appointment a little later that I have to go to, and perhaps if I could take my leave that would be best. But I thank you very much for this opportunity.

And the work that you have entered into is one that I cannot say too much about. It is very positive. Thank you, sir.

Chairman GONZALEZ. Thank you, sir. Good luck.

We next have Mr. C. Terry Ross, the president of National Leased Housing, and Mr. Arthur W. Edwards, a member of the board of directors of the Council for Rural Housing and Development.

If there is no time constriction on either one of you gentlemen, then it was my intention to recognize Mr. Edwards first, unless

there is some pressing need for you all to get away and catch a plane or something. And perhaps if Mr. Edson is with Mr. Edwards, you might introduce Mr. Edwards to the subcommittee.

Mr. EDSON. Mr. Chairman, I have the pleasure of being with both today, sort of a doubleheader. And certainly, in what order, we will certainly follow the lead of the Chair. Art Edwards is a member of the board of directors of the Council for Rural Housing and Development. The president of our organization, Herb Collins, is from Boston, and people do not leave Boston on March 17, especially if their name is Collins. It also happens to be his birthday, so Mr. Edwards will be substituting for him.

We do have our traditional green testimony, though.

Chairman GONZALEZ. Let me thank each one of you for helping us in appearing here today and traveling a good many miles to be here. We deeply appreciate it.

STATEMENT OF ARTHUR W. EDWARDS, MEMBER, BOARD OF DIRECTORS, COUNCIL FOR RURAL HOUSING & DEVELOPMENT, ACCOMPANIED BY CHARLES L. EDSON, OF LANE & EDSON, P.C., COUNSEL

Mr. EDWARDS. Mr. Chairman, thank you for having us here.

As Chuck said, I am a member of the board of directors of the Council for Rural Housing and Development, and it is a group that is comprised of organizations that do rural rental housing development. We are on the ground in the small communities developing rural rental housing.

Mr. Chairman, we have a prepared statement which I would hope that could be entered into the record, if I could just hit the highlights.

Chairman GONZALEZ. Certainly. You may proceed as you deem best. But we can, with no objection, present your statement as you prepared it for the record, and then you may proceed, if you wish to summarize or any other way.

Mr. EDWARDS. Thank you very much.

I would first like to say that, representing the rural interests, we also strongly support the testimony of the gentleman from New York. I think every organization involved with housing must rally together. We are facing a terrible crisis, and all of the housing interests I think are going to try and coordinate our efforts as best we can.

Speaking for rural housing, we comprise 25 percent of the population of the country. Thirty-eight percent of the people who are in poverty straits live in rural areas. Our housing has a high preponderance of dilapidation and lack of adequate plumbing facilities, lack of adequate sewers.

Unlike New York, the rural areas only have $70 per capita in their savings and loans. In the metro areas there is $2,000 per capita. There is no borrowing power in the rural areas.

In recognizing these needs, the Farmers Home Administration for the past 15 or 20 years has been meeting the credit needs, meeting the housing needs in the rural areas. The Farmers Home Administration since its inception has built over 225,000 housing units.

This program has addressed the truly poor. Eighty-five percent of the occupants in Farmers Home Administration housing earn under $9,000. Farmers Home housing is almost a third less expensive to build. We can put a unit on the ground for under $30,000 a unit.

Chairman GONZALEZ. Pardon me for interrupting, Mr. Edwards. I did not catch that figure, that $9,000.

Mr. EDWARDS. My comment was to the effect that in urban areas in savings and loans and institutions that make housing loans there is approximately $2,000 per person of deposits available. In other words, in the New York Citys and in the metro areas throughout the country, the deposits are available for individuals and for developers to borrow to build housing. In rural areas we only have an average of $70 per capita available for borrowing.

The Farmers Home programs, through housing, industrial development, et cetera, are the true lenders in the rural areas for the farms, for the houses, for the small businesses that are built there.

And the attacks that have been made by this administration on rural funding, on rural financing, the attacks on the Federal Financing Bank, are totally unwarranted. The return—the investment that is made by this Government in these rural areas will present so much value to the country. The housing that is there now is going to remain there in continual value. It is not spent. It is invested.

That is the background of the rural problems and the Farmers Home Administration. It has been operating very quietly, very successfully, for—well, Chuck, you can tell me.

Mr. EDSON. Since 1949, actually, the Housing Act of that year.

Mr. EDWARDS. We very seldom have to come and be special pleaders, because the program has not required it. It is a low profile program.

In the budget that the President put out for fiscal 1983, Farmers Home Administration funding for the rural rental housing program was cut from $940 million to $200 million. The number of units that could be built during this fiscal year, that is 1982, was 29,000. The number proposed is 5,700, a disastrous cut.

I would like to take the opportunity to thank this committee for supporting the fiscal year 1982 funding level, the $940 million level. I would like to say this also follows on a conversation that was held regarding a mix of income in rental housing projects. The rental assistance program allows very low income people to live in the Farmers Home Administration rental projects. We urge that the so-called rental assistance program be funded to support new construction.

This mix of income, as Mr. Lundine mentioned, is good not only in the urban areas, but it is equally as good in the rural areas and it should not be discontinued.

So again, we thank you for supporting us. We hope you will be successful. If you need any information from us, let us know.

I have one other point to make and that is, there has been discussion about closing down the Farmers Home Administration housing program and merging it either with the State housing programs or in some other unknown form. I have dealt with Federal :encies and State agencies for 15 years. I have worked in the gov-

ernment and have seen bureaucracy at its best and at its worst. I would like to say that the Farmers Home Administration as it operates in its districts and in its States, State offices, is one of the most efficient Federal agencies that exists.

You have people there who understand the needs of the rural people. They are reasonable people to deal with. They have developed a history and experience with the program.

The system works, and the old adage that, "if it ain't broke don't fix it," applies very strongly in this instance. Do not change the way the Farmers Home Administration works. Keep that good, strong rural apparatus out there.

Mr. Chairman, that concludes my remarks, and I thank you for allowing me to appear.

[Mr. Edwards' prepared statement, on behalf of the Council for Rural Housing and Development, follows:]

TESTIMONY OF ARTHUR W. EDWARDS
MEMBER, BOARD OF DIRECTORS
COUNCIL FOR RURAL HOUSING AND DEVELOPMENT
BEFORE THE HOUSING AND COMMUNITY DEVELOPMENT SUBCOMMITTEE,
HOUSE BANKING, FINANCE AND URBAN AFFAIRS COMMITTEE
MARCH 17 1982

My name is Arthur Edwards. I am Chairman of the Board of Case/Edwards Enterprises, Inc. of Annapolis, Maryland, and a member of the Board of Directors of the Council for Rural Housing and Development, on whose behalf I speak today. I am accompanied by Charles L. Edson, of the Washington, D. C. law firm of Lane and Edson, P.C., who serves as our Counsel.

As a matter of background, the Council is composed of over 75 member organizations from all sections of the country who are active developers under the Section 515 program. Although we have been in existence just a little over a year, we have been quite active in both the legislative process and in working closely with Farmers Home to assure workable regulations and procedures.

Rural Housing Needs

Although you may be generally familiar with rural housing needs, a few saliant facts bring into sharp focus the housing needs of rural America.

Family income in non-metro areas, although growing, still lags significantly behind such income in metropolitan areas ($18,069 vs. $22,590). Although rural areas have only 26.7% of the nation's population, they have 38.4% of those in poverty.

In non-metro areas, 36% of renters who occupy adequate housing spend more than 30% of their income to do so. For very low income house renters, those below 50% of median, 78% of the renters occupying adequate housing have such affordability problems.

Non-metro houses are twice as likely to have kitchen and heating defects, three times as likely to have plumbing defects, and ten times as likely to have inadequate sewage systems than homes located in metropolitan areas.

Although housing needs are greatest in rural America, the supply of credit to meet such needs is far less. A study found that in 1975 banks and savings and loan associations in large metropolitan areas had assets of $8,800 per capita -- more than twice the $3,400 per capita in rural and non-metro counties. In that same year, the savings and loans had deposits of $2,000 in capital in the larger metro counties, compared with only $70 per capita in totally rural, non-metro counties, and $1,110 per capita in non-metro counties.

It is this mismatch of high need and low resources to meet this need that impelled Congress in the Housing Act of 1949 to establish the Farmers Home Section 502 home ownership program, and Section 515 rental housing program. We who work actively on the Section 515 program are proud of that program's record in meeting the needs of rural American rentors. Since its 1949 inception, over 225,000 units of housing have been built. Of all the federal programs, Section 515 targets its assistance

to those who need it most. A 1979 FmHA survey showed that nearly 85% of the occupants of Section 515 projects had incomes under $9,000.

Section 515 is a cost efficient program. For Fiscal Year 1981, the cost of a Section 515 assisted unit was $29,314 compared with over $40,000 for a unit assisted under the Section 8 program. The delinquency rate of the Section 515 program is roughly 5%, and defaults are virtually non-existent -- a record unmatched by any other housing program.

In addition, Section 515 results in good community development. The concentration of people in rental units can mean less federal, state and local tax dollars spent on streets and road construction and maintenance, sewer and water system construction, as well as public and school transportation. Also, money spent on Section 515 creates a community asset that lasts for many years, as opposed to one-shot assistance under most social service programs. Although there may be a turnover of tenants in a rental project, the apartment itself continues as a resource for low income tenants for at least twenty years.

With this background, we are here before the committee to stress two major points, one dealing with FY 83 funding and the other with a proposal being forwarded from some sources that the rural housing programs now administered by the Farmers Home Administration instead be administered by State agencies under a block grant.

FY 83 Funding

In view of the great need in rural areas, and the success

of the Section 515 program in meeting the need, we are aghast at the Administration's proposal to cut Section 515 funding from $940 million in FY 82, enough for approximately 29,400 units, to $200 million in FY 83, enough for only 5,740 units. Although we realize that we are in an era of financial stringency, few federal programs have been asked to take the extreme cut that the Section 515 program must under the Administration's budget.As we stated before,there is no justification on a programatic basis for such a cut -- Section 515 has been a high performance, high quality program, the source of virtually no public criticism during its thirty-two years of existence.

We commend the Committee for including a realistic FY 83 authorization of $940 million in HR 5731, and we urge the Committee to enact funding at that level. We also applaud your authorization of $398 million for the rural rental assistance program. Especially commendable is the earmarking of $173 million of these funds for newly constructed projects.

Continued FmHA Administration of Rural Housing Program

Congress established the Farmers Home Administration of the Department of Agriculture as an entity that could focus extensively and exclusively on rural problems. FmHA has an established network of state, district and county offices to administer the FmHA Section 502 home ownership program, Section 515 rental housing program, and other rural housing efforts. Our members work with Farmers Home offices on a daily basis, and are very satisfied with the service and response that we receive.

FmHA does its processing with a minimum of red tape and delay, and with a maximum of understanding of rural problems. There is no need to dismantle this apparatus in favor of statewide agencies that do not have the exclusive rural concern of FmHA and the day to day experience in administering rural housing programs.

We have a perfect case for applying the old, very wise adage -- "If it ain't broke, don't fix it."

We thank you very much for the opportunity to appear before you, and would be pleased to answer any questions that you may have.

Chairman GONZALEZ. It is the other way around. We thank you, as I said before, Mr. Edwards, for taking your time to be with us; and would also express our gratitude for the cooperation not only of your organization but of your staff and your legal consultants. Our staff has worked very closely with you and we are grateful for the sorts of information and help you have given us.

Mr. Ross?

STATEMENT OF C. TERRY ROSS, PRESIDENT, LAMMERS & ROSS DEVELOPMENT CO., INC., BAYTOWN, TEX., AND PRESIDENT, NATIONAL LEASED HOUSING ASSOCIATION, ACCOMPANIED BY CHARLES L. EDSON, OF LANE & EDSON, P.C., COUNSEL TO THE NATIONAL LEASED HOUSING ASSOCIATION

Mr. ROSS. My name is Terry Ross and I am president of Lammers & Ross Development Co., Inc., Baytown, Tex., and president of the National Leased Housing Association, on whose behalf I testify today. I am accompanied by Chuck Edson, counsel to the National Leased Housing Association.

Although NLHA has appeared before your committee for many years, we appear today in a new and broader role. In our early years, we were advocates for the section 23 leased housing program, and since 1974 we have been solely involved in fostering a strong and workable section 8. In recent times, however, we have broadened our concern to all rental housing, especially rental housing in which the Government is involved through insurance or assistance.

This emphasis on rental housing is most timely. In addition to traditional renter groups—the young, the elderly and the transient—we now have an ever-increasing group of families who just do not have the funds available to buy their own home. In addition, many others are now choosing to rent instead of buy, as it becomes apparent that home ownership in the 1980's just will not be the miraculous investment it has been in the past decade.

Significantly, the General Accounting Office in its recent evaluation of the recommendations of the President's Commission on

Housing questioned whether there is a sufficient stock of rental housing in specific communities for the highly touted voucher system to be workable, and that in tight rental markets the voucher system might be more expensive to the Government than a housing production program.

Although the demand for rental housing is at an alltime high, its production is at an alltime low—barely 50,000 unsubsidized units in 1981. It is to correct this imbalance, while also focusing on the management and preservation of our existing stock, that NLHA will now be directing its activities.

We wish to commend you, Mr. Chairman, and the members of your committee, who have introduced and cosponsored H.R. 4731. Overall, it is a compassionate piece of legislation that realizes the desperate need for rental housing production and assistance in this country, while not overlooking the concerns of those who build homes or want to buy them.

We focus our testimony today on title III, the Rental Housing Production and Rehabilitation Act of 1982. We view it as a vital new initiative if we are to begin to meet the rental housing crisis in this country. Its basic concept of submission by States and localities of projects to HUD for ultimate Federal selection is a sound one, and could prove most workable.

We do have specific suggestions for the improvement of this program, plus an alternative way to accomplish the same end, but we make our suggestions in an overall framework of approval and praise for what you have done.

It should be made clear that public bodies, as well as private developers, can submit applications to serve as owners and developers under this program. Under section 8, many PHA's became section 8 developers in their own right, a very successful aspect of that program.

Under some State laws it is ambiguous as to whether or not a public housing agency is a unit of local government. Because of this section 312(c) should be amended to read:

"Such assistance shall be made available by the Secretary to States, units of local government, public housing agencies or designated agencies thereof . . ."

Section 312(d) sets forth capital grants as permissible assistance. We strongly believe that any assistance, at least to a private developer, should be through a repayable second mortgage loan. Such loan should bear interest at the Treasury borrowing rate at the time of the loan. For the sake of project feasibility, the interest should not be payable annually, but should be accrued on a simple interest basis. Upon sale or refinancing, the developer would have to pay off the original amount of the loan, plus all such accrued interest.

This may be a somewhat unusual suggestion coming from an organization with over 300 private developer members, but we believe our suggestion is equitable, both to the Government and the private development community.

HUD should also be able to administer the program directly. In many cases, there just may not be appropriate State or local agencies to which the developer could first take a proposal. In such

cases, the developer should be able to negotiate directly with the HUD area offices.

When there is State or local designation of developers, such jurisdictions should have published selection criteria and a rating system to assure objectivity in the choice. Political favoritism is an always lurking possibility when dollars are involved.

As these are basically private projects, we see no rationale for section 318—the Davis-Bacon provisions. The GAO report by the Comptroller General to the Congress, dated April 27, 1979, states that "The act results in unnecessary construction and administrative costs of several hundred million dollars annually * * * and has an inflationary effect on the areas covered by inaccurate wage rates and the economy as a whole."

It should be made clear that all local rent control ordinances customarily applicable to the project would be preempted. If not, the feasibility of many projects assisted under this section would be under real question.

On this subject, we certainly understand the requirements set forth in section 317(a)(3)(A), that the owner pass on to the tenants any reduction in debt service resulting from assistance provided by the act. We urge that the committee report state that HUD should administer this program flexibly, so that it does not become a Federal rent control provision under another name.

The new multifamily program should be made part of the U.S. Housing Act of 1937 in order that section 11(b) financing could be utilized. Section 11(b) is an alternate source of tax exempt financing to section 103 of the Internal Revenue Code, and has proven extremely useful in the financing of section 8 projects. By including the proposed program in the U.S. Housing Act, with a technical amendment to section 11(b) to remove any doubt that the new program would be eligible thereunder, this valuable alternative financing tool would be made available for use in this new effort.

These suggestions are directed toward making a good program better. Certainly, your multifamily housing initiative is one we can happily live with, but you may wish to explore an alternative to the front-end financing mechanism embodied in your bill.

During the past several months, a large number of housing organizations have met together informally to develop a multifamily housing production program with similar aims to those embodied in your bill. The major difference in the proposal is that instead of a front-end grant or loan, there would be an annual loan of part of the interest payment to bring down the interest rate to 6 percent or 8 percent. After 15 years, these loans would have to be repaid with simple interest.

Under this mechanism, for an annual contract authority of $139 million, 100,000 units could be assisted, assuming an annual interest subsidy of 4 percent. Under the H.R. 5731 proposal, on the other hand, $1.3 billion would be necessary to finance from 50,000 to 100,000 units. At a time when the Government is most conscious of annual outlays, you may wish to consider stretching such payments over time. Note that the alternative proposal suggests only a 150-year payment period, rather than 40 years under section 8.

Other than the difference in financing mechanisms, the proposals of what is informally known as the "No Name Coalition" very much parallel the one contained in your bill.

At this time, I would like permission from the Chair to insert a description of the program proposed by the "No Name Coalition" and a feasibility study of that program into the record.

[The material referred to is attached to Mr. Ross' prepared statement.]

Chairman GONZALEZ. Without objection, at the end of your remarks your full statement and attachments will be included in the record.

Mr. ROSS. Bottom line, the most important thing is to do something, whether to adopt your proposal or the one already discussed. The need for rental housing production in this country is so pressing that we must take some sort of affirmative action.

We commend you on provisions directed in your bill to assure that those projects in the section 8 pipeline are built. Many of our members have literally invested hundreds of thousands of dollars into projects, and all this would be lost if the administration's proposed rescission is adopted—and the pipeline cut off.

That is why your provision in section 205(b) making $1.973 billion available for tandem in 1983 is so important in assuring that some of these projects are financed. Of equal importance is section 202(a)(1), authorizing fair market rents to be based on interest rates up to 14 percent.

Although HUD claims that many projects are infeasible and should not be built, in reality the only reason that the projects are not feasible is because of today's high interest rates. Last year, the administration, in opposing the financing adjustment factor, gave as its rationale the fact that its new economic program would result in lower interest rates by late 1981, and thus the project should not be funded at a higher rate. Now, the administration has recognized that interest rates will not be significantly lower in 1982, so there seems to be absolutely no rationale for opposing the permanent embodiment of the financing adjustment factor into law.

It has now become fashionable to repudiate the section 8 new construction and substantial rehabilitation program. However, in the final analysis the only objection that can be validly leveled against this aspect of the section 8 program is that it is expensive. The major reason for such expense is that the program sought to house the lowest income people in the most expensive type of housing—that which is newly constructed or substantially rehabilitated.

During its 8 years, section 8 has accounted for over 750,000 units of decent housing. Unlike some of its predecessors, the program has been virtually free of charges of scandal or mismanagement. It has resulted in projects that are a credit to the communities in which they are located, and indeed many section 8 projects have done much for community revitalization. It can be fairly said that the only real problem with section 8 is that it has succeeded in fulfilling its purpose, and that the cost just became too high in this stringent economy.

We look forward to working with you and your able staff to fashion a new program to replace section 8, just as 8 years ago we worked with you in getting that effort started.

Thank you very much for the opportunity to testify today.

[Mr. Ross' prepared statement, on behalf of the National Leased Housing Association, with attached supporting material, follows:]

TESTIMONY OF C. TERRY ROSS
PRESIDENT, NATIONAL LEASED HOUSING ASSOCIATION
BEFORE THE
HOUSING AND COMMUNITY DEVELOPMENT SUBCOMMITTEE
HOUSE BANKING, FINANCE AND URBAN AFFAIRS COMMITTEE
MARCH 17, 1982

My name is C. Terry Ross. I am president of Lammers & Ross Development Company, Inc., Baytown, Texas, and president of the National Leased Housing Association, on whose behalf I testify today. I am accompanied by Charles L. Edson, of Lane and Edson, P.C., Counsel to the National Leased Housing Association.

Although NLHA has appeared before your Committee for many years, we appear today in a new and broader role. In our early years, we were the advocates for the Section 23 Leased Housing Program, and since 1974, we have been solely involved in fostering a strong and workable Section 8. In recent times, however, we have broadened our concern to all rental housing, especially rental housing in which the government is involved either through assistance or insurance.

This emphasis on rental housing is most timely. In addition to traditional renter groups -- the young, the elderly and the transient -- we now have an ever-increasing group of

families who just don't have the funds available to buy their own home. In addition, many others are now choosing to rent instead of buy, as it becomes apparent that home ownership in the 1980's just will not be the miraculous investment it has been in the past decade. Significantly, the General Accounting Office, in its recent evaluation of the recommendations of the President's Commission on Housing, questioned whether there is a sufficient stock of rental housing in specific communities for the highly touted voucher system to be workable, and that in tight rental markets the voucher system might be more expensive to the government than a housing production program.

Although the demand for rental housing is at an all time high, its production is at an all time low -- barely 50,000 unsubsidized units in 1981. It is to correct this imbalance, while also focusing on the management and preservation of our existing stock, that NLHA will now be directing its activities.

HR 5731

We wish to commend you, Mr. Chairman, and the members of your Committee, who have introduced and co-sponsored HR 5731. Overall, it is a compassionate piece of legislation that realizes the desperate need for rental housing production and assistance in this country, while not overlooking the concerns of those who build homes or want to buy them.

We focus our testimony today on Title III -- the Rental Housing Production and Rehabilitation Act of 1982. We view it as a vital new initiative if we are to begin to meet the rental housing crisis in this country. Its basic concept of submission

by states and localities of projects to HUD for ultimate federal selection is a sound one, and could prove most workable. We do have specific suggestions for the improvement of this program, plus an alternative way to accomplish the same end, but we make our suggestions in an overall framework of approval and praise for what you have done.

1. It should be made clear that public bodies, as well as private developers, can submit applications to serve as owners and developers under this program. Under Section 8, many PHA's became Section 8 developers in their own right, a very successful aspect of that program.

2. Under some state laws, it is ambiguous as to whether or not a public housing agency is a unit of local government. Because of this Section 312(c) should be amended to read:

> "Such assistance shall be made available by the Secretary to States, units of local government, public housing agencies or designated agencies thereof. . ."

3. Section 312(d) sets forth capital grants as permissible assistance. We strongly believe that any assistance, at least to a private developer, should be through a repayable second mortgage loan. Such loan should bear interest at the Treasury borrowing rate at the time of the loan. For the sake of project feasibility, the interest should not be payable annually, but should be accrued on a simple interest basis. Upon sale or refinancing, the developer would have to pay off the original amount of the loan, plus all such accrued interest.

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This may be a somewhat unusual suggestion coming from an organization with over 300 private developer members, but we believe our suggestion is equitable, both to the government and the private development community.

4. HUD should also be able to administer the program directly. In many cases, there just may not be appropriate state or local agencies to which the developer could first take a proposal. In such cases, the developer should be able to negotiate directly with the HUD area office.

5. When there is state or local designation of developers, such jurisdictions should have published selection criteria and a rating system to assure objectivity in the choice. Political favoritism is an always lurking possibility when dollars are involved.

6. As these are basically private projects, we see no rationale for Section 318 -- the Davis-Bacon provisions. The GAO report by the Comptroller General to the Congress, dated April 27, 1979, states that "The Act results in unnecessary construction and administrative costs of several hundred million dollars annually . . .and has an inflationary effect on the areas covered by inaccurate wage rates and the economy as a whole."

7. It should be made clear that all local rent control ordinances customarily applicable to the project would be pre-empted. If not, the feasibility of many projects assisted under this section would be under real question. On this subject, we certainly understand the requirements set forth in Section

317(a)(3)(A), that the owner pass on to the tenants any reduction in debt service resulting from assistance provided by the Act. We urge that the Committee Report state that HUD should administer this program flexibly, so that it does not become a federal rent control provision under another name.

8. The new multifamily program should be made part of the United States Housing Act of 1937 in order that Section 11(b) financing could be utilized. Section 11(b) is an alternate source of tax exempt financing to Section 103 of the Internal Revenue Code, and has proven extremely useful in the financing of Section 8 projects. By including the proposed program in the United States Housing Act (with a technical amendment to Section 11(b) to remove any doubt that the new program would be eligible thereunder), this valuable alternative financing tool would be made available for use in this new effort.

These suggestions are directed toward making a good program better. Certainly, your multifamily housing initiative is one we can happily live with, but you may wish to explore an alternative to the front-end financing mechanism embodied in your bill.

During the past several months, a large number of housing organizations have met together informally to develop a multifamily housing production program with similar aims to those embodied in your bill. The major difference in the proposal is that instead of a front-end grant or loan, there would be an annual loan of part of the interest payment to bring down the interest rate to 6% or 8%. After fifteen years, these loans would

have to be repaid with simple interest. Under this mechanism, for an annual contract authority of $139 million, 100,000 units could be assisted, assuming an annual interest subsidy of 4%. Under the HR 5731 proposal, on the other hand, $1.3 billion would be necessary to finance from 50,000 to 100,000 units. At a time when the government is most conscious of annual outlays, you may wish to consider stretching such payments over time. Note that the alternative proposal suggests only a fifteen year payment period, rather than forty years under Section 8.

Other than the difference in financing mechanisms, the proposals of what is informally known as the "No Name Coalition" very much parallel the one contained in your bill.

(At this time, I would like permission from the Chair to insert a description of the program proposed by the "No Name Coalition" and a feasibility study of that program into the record.)

Bottom line, the most important thing is to do something -- whether to adopt your proposal or the one already discussed. The need for rental housing production in this country is so pressing that we must take some sort of affirmative action.

Other Provisions

We commend you on provisions directed in your bill to assure that those projects in the Section 8 pipeline are built. Many of our members have literally invested hundreds of thousands of dollars into projects, and all this would be lost if the Administration's proposed rescission is adopted -- and the pipeline

cut off. That is why your provision in Section 205(b) making $1.973 billion available for Tandem in 1983 is so important in assuring that some of these projects are financed. Of equal importance is Section 202(a)(1), authorizing Fair Market Rents to be based on interest rates up to 14%. Although HUD claims that many projects are "infeasible" and should not be built, in reality the only reason that the projects are not feasible is because of today's high interest rates. Last year, the Administration, in opposing the Financing Adjustment Factor, gave as its rationale the fact that its New Economic Program would result in lower interest rates by late 1981, and thus the project should not be funded at a higher rate. Now, the Administration has recognized that interest rates will not be significantly lower in 1982, so there seems to be absolutely no rationale for opposing the permanent embodiment of the Financing Adjustment Factor into law.

Section 8 New Construction -- The Final Word

It has now become fashionable to repudiate the Section 8 new construction and substantial rehabilitation program. However, in the final analysis, the only objection that can be validly leveled against this aspect of the Section 8 program is that it is expensive. The major reason for such expense is that the program sought to house the lowest income people in the most expensive type of housing -- that which is newly constructed or substantially rehabilitated. During its eight years, Section 8

has accounted for over 750,000 units of decent housing. Unlike some of its precedessors, the program has been virtually free of charges of scandal or mismanagement. It has resulted in projects that are a credit to the communities in which they are located, and indeed, many Section 8 projects have done much for community revitalization. It can be fairly said thet the only real problem with Section 8 is that it has succeeded in fulfilling its purpose, and that the cost just became too high in this stringent economy.

We look forward to working with you and your able staff to fashion a new program to replace Section 8 -- just as eight years ago we worked with you in getting that effort,started.

Thank you very much for the opportunity to testify today.

February 5, 1982

<u>Flexible Rental Housing Production Loan Program</u>

Ad Hoc No Name Coalition

Eugene A. Gulledge Chairman

Charles L. Edson, Subcommittee Chairman

Following is the final draft that has emerged from seven working sessions attended by representatives of major housing groups from October 1981 to early February, 1982.

It is doubtful that any group totally subscribes to all of the program elements set forth herein. Many issues must be resolved in the legislative process including the specific requirements of Wall Street as bond issues are structured. However, the following is a conceptual framework which drew broad consensus from most of those involved in the working session.

<u>Program goals</u>. The program goal is to produce 100,000 units annually of new and rehabilitated rental units of modest design for moderate income families This goal must be considered within the entire framework of federal housing assistance Of prime importance, it assumes the continuance of the Section 8 existing program or a similar voucher program to meet the needs of low income families. The group also viewed with importance the maintenance and modernization of our existing public housing stock to meet the needs of the over 1 300 000 families now housed in public housing and assumes the continuation of the Section 202 and Section 515 program as peculiarly addressing certain housing needs. The underlying rationale for this production program is the necessity to increase the present stock of rental housing if a voucher program, or any other program utilizing existing stock for lower income people, is to be feasible. A second underlying rationale is that state and local governments play a significant program role to assure that housing produced meets the needs of the communities in which it is located Indeed, as set forth below, a locality could fashion an equivalent production program to meet its needs.

<u>Basic Program Mechanisms</u>

<u>Interest Loan</u>. Assistance would be in the form of a loan to pay part of the mortgage interest; this would not be a subsidy any more than any other loan is a subsidy. As a target, the government would lend an owner one-third of the market interest rate, or 4% whichever is less. However,

at the discretion of the administering agencies, such loans could be for two-thirds of the market interest rate or 8%, whichever is less. However, the interest loans on the total of such projects of the administering agency could not reduce the mortgage interest rate more than an average of 6% per annum of the outstanding mortgages in this program.

The interest loans would be advanced monthly for a 15-year period. Interest on the loans would be at the average Treasury borrowing rates as set annually by the Secretary of the Treasury and would be cumulative but not compounded. The interest loans would be secured by a second mortgage on the property and may be insured by HUD with appropriate premium charges.

Projects could be financed by FHA insured loans including co-insured loans, conventional loans, and loans from state and local housing finance agencies. Projects would be eligible for tax exempt financing. Project loans would be for fifteen years but the amortization schedule would be for forty years.

The balance of the interest loan would be paid off at the end of 15 years either through a sale or refinancing of the project. The failure of an owner to effectuate such a sale or refinancing, or otherwise make such payment, would constitute a default.

Use of Loan Funds. The loan could be for either new construction or substantial rehabilitation. However, in the case of rehabilitation, there would be a limit to the extent that the funds could be used for refinancing or acquisition of the shell.

RReturn on Investment. The first 6% on equity would go to owner; for return over 6%, the owner retains 50% thereof and the other 50% is utilized to repay the interest loan.

Fund Allocation. Congress would authorize the amount of contract authority for interest loan funds annually; funds would be allocated to states on a formula basis taking into account the need for multifamily housing. In the legislative process Congress would determine whether the funds would be administered by:

A. The national office of HUD
B. The area offices of HUD
C. State or local housing agencies
D. A combination of the above

Agencies which did not use funds within 12 months of allocation would have these funds recaptured by HUD to use elsewhere without prejudice to the original agency; the Secretary of HUD could extend the 12 month period.

State and Local Participation. State and local funds may be used to reduce the capital cost, interest cost or operating cost of the project. In addition, the project must comply with appropriate state and local zoning and building codes However the project would be exempt from all state or local rent controls as well as any HUD rent limitation.

If a state agency or locality can demonstrate to the Secretary of the Department of Housing and Urban Development that another production mechanism can produce the same number of units within the locality as would be produced by the loan program outlined herein the Secretary may approve such equivalent program.

Income Limits. There would be no income limits on the project except as needed to meet state or local requirements for financing. However, 20% of the units must be rented to families below 80% of median. There could be no discrimination against any family because it is a voucher holder.

Cooperatives. Cooperatives would be eligible under the program. In financing cooperatives, a) the balance of the government interest loan would be repaid from proceeds of subsequent membership/unit sales and b) the government interest loan will rise to the market rate evenly through the 15-year period.

Provisions Applicable to HUD-FHA Insured Projects

Insurance Payment after year 15. In connection with FHA insured loans, it is anticipated that HUD would, at its sole option, be given the right to avoid an insurance claim at the end of the 15-year period, (if the mortgage is not otherwise paid off by agreeing with the existing lender or a substitute lender to continue the loan at the then prevailing market interest rate HUD could, in its sole discretion, agree to advance the additional interest which would be required in some circumstances over and above that which the project was able to pay from operations. Any such additional advances of interest would themselves be interest bearing at the prevailing Treasury rate (simple interest) and be added

as part of the subordinate mortgage. All loans would be underwritten on the basis of sound underwriting principles based in part on the project's anticipated value in Year Fifteen and therefore its ability to meet its mortgage obligations during the term of the loan and at maturity. All interest advanced by HUD as an interest bearing loan would be repayable at the time of the sale or refinancing of the project.

Mortgage Amount. HUD would establish, using outside services, where appropriate, total replacement cost of multifamily rental units of modest design for each major market in the country and would commit to insure a first mortgage for 85% of that cost for units meeting its criteria. In the event that actual certified costs were lower than the originally established amount, the first mortgage would be reduced by one-half of the difference.

Operating Fund Reserve. HUD would recognize as a portion of the qualified development costs for any project an amount which a mortgagor may seek to establish as an operating fund. These monies could be drawn down and invested and utilized for the purpose of defraying rent obligations of those individuals at or below 80% of median who are occupying units in the project in order to meet the low income occupancy requirement of the program. While these funds would be eligible to be included as development costs, they would of course have to meet normal lender underwriting standards with respect to the project's ability to pay normal debt service requirements with respect to that portion of the loan.

National Leased Housing Association

serving America's rental housing needs

1800 M STREET, NW / SUITE 400 SOUTH / WASHINGTON, D.C. 20036 / (202) 785-8888

February, 1982

FEASIBILITY STUDY

FLEXIBLE RENTAL HOUSING PRODUCTION PROGRAM

The Research Staff of the National Leased Housing Association performed a feasibility study of the Ad Hoc No Name Coalition's Flexible Rental Housing Production program. Using data collected from a NLHA membership survey, the feasibility study analyses the impact the production program has on both rents and the U.S. Department of Housing and Urban Development's budget.

The rent analysis is broken down into two appendices:

Appendix A shows three different monthly rent levels for a two bedroom unit in each of the 14 cities selected from around the country. Since the production program's interest loan would reduce the interest rate on the mortgage, a different monthly rent level is calculated for a 6%, 7% and 8% interest rate on a 40 year mortgage. The mortgage amount is equal to 85 percent of the total development or replacement cost for a two bedroom unit. The different monthly rent levels for each city are then compared to the monthly rent in each city that a family of four that earns 80 percent of median income would pay if they spent 30 percent of their income on rent. For example, the national average's monthly rent of $451.68 supporting a 8 percent interest rate on the mortgage is very close to the $488.00 rent representing 30 percent of the income for families that earn 80 percent of the median income.

Appendix B provides a more detailed analysis of how the monthly rent levels for each city were derived. NLHA members from 36 cities provided recent data on total development costs (including hard and soft costs) for a two bedroom Section 8 or an equivalent unit as well as the monthly operating expenses for such a unit. The monthly operating expenses include taxes, utilities, insurance, reserves and every other form of expense except return on investment. Since the owner's equity would be 15 percent of the total development or replacement cost and his average annual return on equity is 6 percent, we were able to calculate the owner's monthly return on equity. To derive the monthly rent for a two bedroom unit, the monthly return on equity, the monthly operating expenses and the monthly debt service on the 40 year mortgage were added together.

Appendix C is a budget analysis of the Flexible Rental Housing Production 100,000 unit program. The calculations were made using the the national average mortgage amount of $37,027.77 per two bedroom unit. By determining the difference between the annual debt service that supports the market interest rate and the annual debt service that supports the production program's below market interest rates, we calculated the contract authority needed to produce 100,000 units for different interest loan rates. Similarly, we determined the budget authorities for the program using different interest loan rates by subtracting the 15 year debt service that supports the market interest rate from the 15 year debt service that supports the production program's below market interest rate. For instance an interest loan of 4 percent requires only $139.1 million in contract authority and only $2,086 million in budget authority.

Please contact NLHA Research Director Douglas M. Baron at 202/785-8888 if you have any questions pertaining to the feasibility study.

APPENDIX A

RENT (INCLUDING UTILITIES) PER TWO BEDROOM UNIT PER MONTH

Selected Cities	Assumed Interest Rate on Mortgage			30% of income for families that earn 80% of median income
	6%	7%	8%	
East				
Boston, MA	$575.50	$611.71	$649.45	$580.00
Newark, NJ	536.18	577.82	621.22	654.00
Pittsburgh, PA	515.13	542.28	570.59	517.00
Providence, RI	458.35	486.54	515.91	496.00
Mid-West				
Colubmus, OH	378.30	400.03	422.67	498.00
Indianapolis, IN	361.97	383.70	406.34	516.00
Madison, WI	411.66	441.23	472.05	542.00
Minneapolis, MN	427.75	455.71	484.85	572.00
South				
Birmingham, AL	246.48	262.77	279.75	426.00
Nashville, TN	334.45	354.97	376.36	448.00
San Antonio, TX	352.98	380.01	408.19	414.00
West				
Los Angeles, CA	493.90	534.94	577.71	548.00
Salt Lake City, UT	380.40	407.60	435.95	512.00
Seattle, WA	394.13	421.28	449.59	624.00
National Average	397.99	424.28	451.68	488.00

APPENDIX B

CALCULATING THE MONTHLY RENT

FOR A TWO BEDROOM UNIT

NATIONAL AVERAGE		Assumed Interest Rate on Mortgage		
		6%	7%	8%
Development cost per two bedroom unit	$43,562.08			
Equity	6,534.31			
Mortgage (85%)	37,027.77			
Average annual return on equity (6%)	392.05 ($32.67/mo)			
*Monthly operating expenses	161.67			
Monthly payment (principal & interest) on 40 year mortgage		203.65	229.94	257.34
Rent per unit per month		397.99	424.28	451.68

**Rent per month as an assumed payment of 30% of income for families that earn 80% of median income ---------------------- 488.00

* Operating expenses for a two-bedroom unit including taxes, utilities, insurance, reserves and every other expense except return on investment.

** The calculation is based on HUD's estimate of the area median income for a family of four in 1981.

BOSTON, MASSACHUSETTS

	Assumed Interest Rate on Mortgage 6%	7%	8%
Development cost per two bedroom unit --------- $60,000.00			
Equity --------------------- 9,000.00			
Mortgage (85%)------------ 51,000.00			
Average annual return on equity (6%) ----------- 540.00 ($45.00/mo)			
*Monthly operating expenses -- 250.00			
Monthly payment (principal & interest) on 40 year mortgage ------------------------	280.50	316.71	354.45
Rent per unit per month -----------------	575.50	611.71	649.45

**Rent per month as an assumed payment of 30% of income for families that earn 80% of median income -------------------- 580.00

NEWARK, NEW JERSEY

	Assumed Interest Rate on Mortgage 6%	7%	8%
Development cost per two bedroom unit --------- $69,000.00			
Equity ------------------- 10,350.00			
Mortgage (85%) ----------- 58,650.00			
Average annual return on equity (6%) ----------- 621.00 ($51.75/mo)			
*Monthly operating expenses -- 318.60			
Monthly payment (principal & interest) on 40 year mortgage --------------------------	322.58	364.22	407.62
Rent per unit per month ------------------	536.18	577.82	621.22

**Rent per month as an assumed payment of 30% of income for families that earn 80% of median income ---------------------- 654.00

B2

PITTSBURGH, PENNSYLVANIA		Assumed Interest Rate on Mortgage		
		6%	7%	8%
Development cost per two bedroom unit ---------	$45,000.00			
Equity --------------------	6,750.00			
Mortgage (85%) -----------	38,250.00			
Average annual return on equity (6%)------------	405.00 ($33.75/mo)			
*Monthly operating expenses ---	271.00			
Monthly payment (principal & interest) on 40 year mortgage ------------------------		210.38	237.53	265.84
Rent per unit per month -----------------		515.13	542.28	570.59

**Rent per month
as an assumed payment of
30% of income for families
that earn 80% of median income --------------------- 517.50

PROVIDENCE, RHODE ISLAND		Assumed Interest Rate on Mortgage		
		6%	7%	8%
Development cost per two bedroom unit ---------	$46,700.00			
Equity -------------------	7,005.00			
Mortgage (85%) -----------	39,695.00			
Average annual return on equity (6%) -----------	420.30 ($35.03/mo)			
*Monthly operating expenses --	205.00			
Monthly payment (principal & interest) on 40 year mortgage -------------------------		218.32	246.51	275.88
Rent per unit per month ------------------		458.35	486.54	515.91

**Rent per month
as an assumed payment of
30% of income for families
that earn 80% of median income ---------------------- 496.00

B3

COLUMBUS, OHIO

	Assumed Interest Rate on Mortgage		
	6%	7%	8%
Development cost per two bedroom unit --------- $36,000.00			
Equity ------------------ 5,400.00			
Mortgage (85%) ---------- 30,600.00			
Average annual return on equity (6%) ----------- 324.00 ($27.00/mo)			
*Monthly operating expenses -- 183.00			
Monthly payment (principal & interest) on 40 year mortgage -------------------------	168.30	190.03	212.67
Rent per unit per month -----------------	378.30	400.03	422.67

**Rent per month as an assumed payment of 30% of income for families that earn 80% of median income --------------------- 498.00

INDIANAPOLIS, INDIANA

	Assumed Interest Rate on Mortgage		
	6%	7%	8%
Development cost per two bedroom unit --------- $36,000.00			
Equity ------------------ 5,400.00			
Mortgage (85%) ---------- 30,600.00			
Average annual return on equity (6%) ----------- 324.00 ($27.00/mo)			
*Monthly operating expenses -- 166.67			
Monthly payment (principal & interest) on 40 year mortgage -------------------------	168.30	190.03	212.67
Rent per unit per month -----------------	361.97	383.70	406.34

**Rent per month as an assumed payment of 30% of income for families that earn 80% of median income --------------------- 516.00

MADISON, WISCONSIN

		Assumed Interest Rate on Mortgage 6%	7%	8%
Development cost per two bedroom unit	$49,000.00			
Equity	7,350.00			
Mortgage (85%)	41,650.00			
Average annual return on equity (6%)	441.00 ($36.75/mo)			
*Monthly operating expenses	145.83			
Monthly payment (principal & interest) on 40 year mortgage		229.08	258.65	289.47
Rent per unit per month		411.66	441.23	472.05

**Rent per month as an assumed payment of 30% of income for families that earn 80% of median income ---------------------- 542.00

MINNEAPOLIS, MINNESOTA

		Assumed Interest Rate on Mortgage 6%	7%	8%
Development cost per two bedroom unit	$46,333.33			
Equity	6,950.00			
Mortgage (85%)	39,383.33			
Average annual return on equity (6%)	417.00 ($34.75/mo)			
*Monthly operating expenses	176.39			
Monthly payment (principal & interest) on 40 year mortgage		216.61	244.57	273.71
Rent per unit per month		427.75	455.71	484.85

**Rent per month as an assumed payment of 30% of income for families that earn 80% of median income ---------------------- 572.00

93-366 O—82——50

BIRMINGHAM, ALABAMA		Assumed Interest Rate on Mortgage 6%	7%	8%
Development cost per two bedroom unit ---------	$27,000.00			
Equity --------------------	4,050.00			
Mortgage (85%) -----------	22,950.00			
Average annual return on equity (6%) -----------	243.00 ($20.25/mo)			
*Monthly operating expenses --	100.00			
Monthly payment (principal & interest) on 40 year mortgage -----------------------		126.23	142.52	159.50
Rent per unit per month -----------------		246.48	262.77	279.75

**Rent per month as an assumed payment of 30% of income for families that earn 80% of median income --------------------- 426.00

NASHVILLE, TENNESSEE		Assumed Interest Rate on Mortgage 6%	7%	8%
Development cost per two bedroom unit ---------	$34,000.00			
Equity ------------------	5,100.00			
Mortgage (85%) ----------	28,900.00			
Average annual return on equity (6%) -----------	306.00 ($25.50/mo)			
*Monthly operating expenses --	150.00			
Monthly payment (principal & interest) on 40 year mortgage -------------------------		158.95	179.47	200.86
Rent per unit per month -----------------		334.45	354.97	376.36

**Rent per month as an assumed payment of 30% of income for families that earn 80% of median income --------------------- 448.00

B6

SAN ANTONIO, TEXAS

	Assumed Interest Rate on Mortgage		
	6%	7%	8%
Development cost per two bedroom unit --------- $44,790.00			
Equity ------------------ 6,718.50			
Mortgage (85%) ---------- 38,071.50			
Average annual return on equity (6%) ----------- 403.11 ($33.59/mo)			
*Monthly operating expenses -- 110.00			
Monthly payment (principal & interest) on 40 year mortgage --------------------------	209.39	236.42	264.60
Rent per unit per month	352.98	380.01	408.19

**Rent per month as an assumed payment of 30% of income for families that earn 80% of median income ---------------------- 414.00

LOS ANGELES, CALIFORNIA

	Assumed Interest Rate on Mortgage		
	6%	7%	8%
Development cost per two bedroom unit --------- $68,000.00			
Equity ------------------- 10,200.00			
Mortgage (85%) ----------- 57,800.00			
Average annual return on equity (6%)------------ 612.00 ($51.00/mo)			
*Monthly operating expenses -- 125.00			
Monthly payment (principal & interest) on 40 year mortgage -------------------------	317.90	358.94	401.71
Rent per unit per month -----------------	493.90	534.94	577.71

**Rent per month as an assumed payment of 30% of income for families that earn 80% of median income --------------------- 548.00

SALT LAKE CITY, UTAH

	Assumed Interest Rate on Mortgage		
	6%	7%	8%
Development cost per two bedroom unit --------- $45,071.89			
Equity ---------------- 6,760.78			
Mortgage (85%) ----------- 38,311.11			
Average annual return on equity (6%) ----------- 405.64 ($33.80/mo)			
*Monthly operating expenses -- 135.89			
Monthly payment (principal & interest) on 40 year mortgage ----------------------	210.71	237.91	266.26
Rent per unit per month ----------------	380.40	407.60	436.95

**Rent per month as an assumed payment of 30% of income for families that earn 80% of median income ------------------- 512.00

SEATTLE, WASHINGTON

	Assumed Interest Rate on Mortgage		
	6%	7%	8%
Development cost per two bedroom unit --------- $45,000.00			
Equity ------------------ 6,750.00			
Mortgage (85%) ----------- 38,250.00			
Average annual return on equity (6%) ----------- 405.00 ($33.75/mo)			
*Monthly operating expenses -- 150.00			
Monthly payment (principal & interest) on 40 year mortgage -----------------------	210.38	237.53	265.84
Rent par unit per month ----------------	394.13	421.28	449.59

**Rent per month as an assumed payment of 30% of income for families that earn 80% of median income --------------------- 624.00

88

APPENDIX C

BUDGET ANALYSIS

Debt Service per 100,000 Units on a 40 Year Mortgage

Interest Rate	Annual Debt Service	15 Year Debt Service
12% (market rate)	$447,887,900	$6,718,318,500
8% (rate @ 4% interest loan)	308,811,600	4,632,174,000
Cost of interest loan (difference between debt service @ 12% and 8%)	$139,076,300	$2,086,144,500
12% (market rate)	$447,887,900	$6,718,318,500
7% (rate @ 5% interest loan)	275,930,940	4,138,964,100
Cost of interest loan (difference between debt service @ 12% and 7%)	$171,956,960	$2,579,354,400
12% (market loan)	$447,887,900	$6,718,318,500
6% (rate @ 6% interest loan)	244,383,270	3,665,749,000
Cost of interest loan (difference between debt service @ 12% and 6%)	$203,504,630	$3,052,569,500

****

BUDGET SUMMARY

Interest Loan (assuming a market rate of 12%)	Contract Authority	Budget Authority
4%	$139,076,300	$2,086,144,500
5%	171,956,960	2,579,354,400
6%	203,504,630	3,052,569,500

Chairman GONZALEZ. Thank you, Mr. Ross. It is always good to see a friendly face from Texas. I understand you are from Baytown?

Mr. ROSS. Yes.

Chairman GONZALEZ. Well, you are just outside of Houston. And we deeply appreciate, as I said earlier, your presence and the fact that you traveled these many, many miles to be here and present very valuable testimony and very helpful to us.

The only questions I have—for example, you recommend and refer back to section 11(b) financing, and I would be interested in knowing if you could give us some specific ideas or details on how that could be utilized today better than what we are suggesting in the bill. As has been stated, section 11(b) was in vogue at a time when the fellow with the commitment could go to the bank and did not have to confront what he does today.

But why are you suggesting this section 11(b) now?

Mr. ROSS. Section 11(b), Mr. Chairman, is a form of tax-exempt financing, an alternative to section 103, to the capital grant as the program talks about or to a low-interest loan or however the program works. There will still be a necessity of permanent financing. If section 11(b) is able to be utilized, it provides an alternative form of financing at a lower interest rate than perhaps conventional financing, which would of course lower the overall initial front-end subsidy cost.

Mr. EDSON. If I can elaborate, there is still tax-exempt financing available under section 103 of the Internal Revenue Code. Section 11(b) is a rather unique additional grant of tax-exempt financing that we have enjoyed in the public housing program and under section 8, and I think it would be beneficial to extend the opportunity to use it here because you do not have a lot of redtape and baggage that the IRS puts on the 103 program.

Believe it or not, there is one agency that even has more regulations than HUD, and that is the Internal Revenue Service. And section 11(b) is a more simplified form of tax-exempt financing.

Chairman GONZALEZ. That brings to mind this other question. Assuming that some form of tax-exempt financing is used to finance these multifamily projects, how long do you think the IRS would require the low-income proportion of the units in a project to be available for low-income use?

Mr. EDSON. I might comment. Technically, under the Mortgage Subsidy Bond Act of 1980, you have to have 20-percent low income, that is, under 80 percent. The length of period formerly, or presently, is the life of the bonds, I believe, or at least 20 years.

There is an amendment that has passed the Senate, and I believe the House committee approves, to cut that period to about half of the life of the bonds, which I believe is a 10-year minimum, which would just tie in perfectly with this program. The two efforts are complementary, at least.

Chairman GONZALEZ. Well, thank you very much. I think my time has about gone, and I would recognize Mr. Lundine.

Mr. LUNDINE. Thank you, Mr. Chairman.

First, I would like to compliment you both on really excellent statements. Mr. Edwards, I was particularly impressed by your testimony on page 2, pointing out that the supply of credit in rural

areas is not the same, particularly on a per capita basis, as it is in metropolitan areas.

Last year, last September, a joint study by HUD and the Farmers Home Administration determined that there was no shortage of credit in rural areas. As a result, Farmers Home operations are to be confined to communities with population of less than 10,000. I take it that you disagree with that conclusion?

Mr. EDWARDS. Yes, sir; I most heartily do. We have the Farmers Home Administration projects in 15 towns in Maryland and Delaware, and I know I could not walk into a bank or a lending institution in any of those towns and obtain financing for a rental project. It would be very difficult to finance a business through the local banks. They make car loans, single-family house loans on occasion. Credit from Baltimore or Washington is not forthcoming.

The Farmers Home Administration is not the lender of last resort, but the only lender in the rural areas.

Mr. LUNDINE. Will this restriction to smaller communities affect section 515 construction?

Mr. EDWARDS. Yes, sir, it will. The town of Cambridge, Md., was one of those stricken from the list. That is a community that has well over 10 percent, I guess about 12 percent unemployment in that county. It is a city and county that is comprised of textile employees, poultry processors, and such as that.

They are not low income. They are working families. But they cannot afford a 12-percent loan. They cannot afford to pay $300 or $350 a month for rental housing. Yes, sir, I say it has a very severe impact on those communities.

Mr. LUNDINE. I realize that both of you are builders and developers. I am concerned with a somewhat technical matter. In New York last year, there were a number, I think 200, unit reservations for construction under section 515 that were canceled. Farmers Home Administration currently permits the use of 515 funds for rehabilitation of housing, but only if the houses are restored to new construction standards.

I am told that such standards eliminate any cost advantage in rehabilitation and puts a lot of that housing, the existing housing, out of the reach of any possibility of rehabilitation. Could either of you comment upon that observation and whether Farmers Home Administration establishing a more realistic rehabilitation standard would not use the program more constructively?

Mr. EDWARDS. Yes, sir; it is difficult to find in rural areas, at least in areas where we operate, suitable buildings for residential rehabilitation. Abandoned schoolhouses and the like are available. Oftentimes, to do that kind of rehab really does require less stringent standards.

I know in the States in which I operate I cannot think of one instance where Farmers Home was used for rehab. I am not really sure that that is a function of the standards, because it is difficult to find a good building for rehab, at least in our area.

Mr. LUNDINE. Mr. Ross, do you have any comment?

Mr. ROSS. I have no comment on that, sir.

Mr. LUNDINE. Finally, there is one thing, Mr. Edwards, in your statement that I want to take issue with, so that this whole afternoon will not be a let-me-call-you-sweetheart session.

[Laughter.]

You say on page 4, "Our members work with Farmers Home offices on a daily basis and are very satisfied with the service and response we receive." Now, I admit that maybe I have heard more comment about the 502 program than I have 515. But have you not experienced delays in processing by Farmers Home in your area, in the last several months at least?

Mr. EDWARDS. Yes, sir, I think that is accurate. We have encountered processing delays. The burden of that has been toward developing very rigorous market studies for rental housing. We are on our third round of market studies to justify projects that we now have in the pipeline.

The processing of Farmers Home applications varies tremendously from State to State, and while I would really rather not have had all of this resubmitting of market studies and working drawings and the whole thing it is a viable underwriting procedure. I cannot complain too vigorously about these new requirements. They are nothing that, for example, a construction lender would not require.

I would only hope that Farmers Home develops and expedites the processing so the fiscal year 1982 appropriation can be spent in a timely fashion. I think there are projects out there that are good, strong, viable projects, and I would be hopeful that none of those fall by the wayside because of this more vigorous——

Mr. LUNDINE. Well, we all know that Farmers Home can be, and in fact has a record of being, an outstanding delivery system. My concern is that the intent of Congress is being thwarted by purposeful bureaucratic inefficiency, and that there seems to be an effort to take all of the personnel cuts in Farmers Home out of the field office, where most program action is done, rather than in the central office, where the administrative burden is imposed.

Do you sense or have the same concern?

Mr. EDWARDS. I would have to concur with the feeling that the field is losing personnel. The district offices now are being cut back severely. The processing time delays I think can be attributed to the lack of adequate personnel to work through them.

We have in our two States experienced changes in personnel that will indeed disrupt the processing. I would have to agree with that, sir.

Mr. LUNDINE. Mr. Ross, finally, I appreciate your comments, most of which I agree with and I think are very constructive, about the new program proposed in H.R. 5731. One concern I have, though, is that—well, actually I could address this to both of you, I guess—is that in our attempt to provide greater flexibility at the local level and trying to allow the communities to be more innovative in how they use the subsidies, we may be operating to the detriment of the more rural areas. In other words, they may not have that same capacity.

Do you share that concern, and do you believe that we have a fair system for both metro and nonmetro areas?

Mr. ROSS. We share that concern, and that is one of the reasons we suggested that HUD also have the authority to negotiate directly with the developers. This would enable the rural area that does not have a local agency or in areas where nothing is too good for

the poor, to have the developer go and negotiate directly with HUD.

Mr. Edson?

Mr. EDSON. In also talking to Mr. Edwards, I think the Rural Council would share that thought. There might be a set-aside of some authority here to Farmers Home, just as under section 8 there is a set-aside of 10,000 units every year, and we thought that would be another way to assure some focus on the rural area.

I think your point is extremely well taken.

Mr. LUNDINE. I think your testimony is really important and has really added to the information that those of us who try to provide some initiative toward meeting the unmet needs of rural areas in terms of housing can look to and can draw upon for that kind of support.

I was joking with our previous witness, but it often strikes me that, while there are many who want to divide cities and rural areas, that the needs are so apparent in both that I do not think we ought to look at them as being conflicting.

I do really appreciate your practical experience and advice in how to carry out these programs. I want to assure you that we will be battling with all of the resourcefulness and commitment that we can bring to this battle, to try not to yield to the enormous reductions that are proposed in the fiscal year 1983 administration budget proposal.

Thank you.

Chairman GONZALEZ. Thank you, Mr. Lundine.

Mr. Schumer?

Mr. SCHUMER. Thank you, Mr. Chairman.

And I very much appreciate the testimony of all three of you gentlemen and the support that you have shown for the overall committee package and the rental housing portion in particular, which you know I have an interest in.

I have just one question of clarification. This is for Mr. Ross or Mr. Edson. In your presentation on the bottom of page 5 you mention an interest payment to bring down the interest rate to 6 or 8 percent, and then at the top of page 6, in discussing contract authority, you cite an annual interest subsidy of 4 percent.

Now, I take it that there is a hidden assumption that you are just using that by way of example, assuming a tax-exempt rate of 10 to 12 percent? Is that right?

Mr. EDSON. The word "subsidy," by the way, is a mistake. It is not a subsidy. It is a loan at 4 percent. That was based upon assuming tax-exempt financing that in some happy day would come down to 12 percent.

Mr. SCHUMER. OK, I understand. So it is not that, but you are looking at a 4-percent subsidy. That is your bottom line?

Mr. EDSON. You use the wrong word. A 4-percent loan, if I might say.

Mr. SCHUMER. Now, the other question is, 6- to 8-percent projects, are they feasible without an additional rent subsidy? The reason I ask is that Mr. Gliedman, who testified before you did, indicated they might not be.

Mr. EDSON. We have as an exhibit to our testimony, Congressman, a feasibility study in various cities in the country. We managed to get Providence, R.I., in and also Newark, N.J.

Mr. SCHUMER. I would suggest that San Antonio, Tex., is more important than Newark, N.J.

Mr. EDSON. We tried to get various parts of the country in. But basically, we found that if you subsidized down to a 6-percent rate, say in Newark, N.J., the rent would be $536, and a family at 80 percent of median income paying 30 percent of its income for rent in Newark, N.J., could afford $654.

Indeed, this shows that all you need to subsidize down in Newark, and presumably New York——

Mr. SCHUMER. Well, Newark and New York are not quite the same. They sound the same.

Mr. EDSON. We can certainly get them for New York City. We can poll our members as to development costs, operating expenses, et cetera. And this is what we came up with.

Mr. SCHUMER. If you could get those figures for New York it would be helpful.

Mr. EDSON. The point is that it does work, and indeed we certainly do have San Antonio, Tex., as one of the cities where we found that, assuming just an interest loan of 8 percent the rent could be $408 a month, and that a family paying 30 percent of its income for rent at 80 percent of median, which is your low income, could pay $414. So they could afford this program with a relatively shallow interest grant, interest loan, in about any city in the country, as the exhibit to our testimony shows.

Mr. SCHUMER. OK. Let me go on and talk a little bit about your proposal, which I take it is a suggestion. It seems to me that this is sort of a clone of section 8. It has a shorter, shallower subsidy, but it is a clone, because the budget authority comes out in the first year while the outlays are spaced out.

Now, how would you compare the cost of your clone to the cost of an up-front mechanism, to my clone?

[Laughter.]

Mr. EDSON. Actually, if you want to take our contract authority and multiply it to budget authority, I think you multiply our $139 million times 15 years, and I think you get pretty near $2 billion—and I am just doing this in my head—in budget authority over 15 years. But I think you have to discount the payments that you are going to be making in year 15.

So I think it comes out pretty well near the same figure, $1.3 billion. Very frankly, Congressman, it is a political judgment that caused us to say that it would be more palatable to go for 15 years. If indeed we are wrong on that, certainly the front-end mechanism suggested in your bill, both last year's and this year's version, is very acceptable to us.

Mr. SCHUMER. Thank you. Let me ask you another question. The "No Name Coalition"—I wish Mr. Coyne were here; they have some no-name people in Pittsburgh—which I followed with interest, suggested that the second mortgage be insured by the Federal Government. Yet the mortgage loan itself is only made on a bit-by-bit basis. It is repayable in a lump sum years later with only simple interest.

Will this loan sell on the secondary market if it is not insured? I mean, what gives you a belief that it will?

Mr. EDSON. In other words, the Government would try to sell these loans on the secondary market?

Mr. SCHUMER. I guess that is right, sure. You do not intend for that to be done?

Mr. EDSON. We have not given that much thought. I doubt if that interest loan could ever be sellable on the secondary market.

Mr. SCHUMER. OK. Then it was my assumption that that was an added, as Phil Rizzuto once said, an added additional extra feature. [Laughter.]

That, you know, the Government could then sell these mortgages on the open market. But you did not intend that?

Mr. EDSON. That was not our thought at the time.

Mr. SCHUMER. The other great Phil Rizzuto story, he once said Elston Howard was born in Mississippi but was a native of Tenafly, N.J. [Laughter.]

I think I am finished with my questions and my jokes. [Laughter.]

Thank you, Mr. Chairman. I yield back the balance of my time.

Chairman GONZALEZ. Thank you very much, Mr. Schumer.

I think we can exercise a little discretion if you have any additional questions or comments. But I think you are right. I mean, who in the world is going to hold that second paper there? I just do not see this from a practical standpoint.

Mr. EDSON. Just a personal note as we conclude. It is St. Patrick's Day and when I used to come here on St. Patrick's Day there was a member of the minority staff named Casey Ireland who wore a very bright irridescent green suit. And I am somewhat disappointed in my good friends in the minority today. I think Mr. Ruddy's sportcoat is a little bit darker, I noticed, than what we were used to in the past. [Laughter.]

Chairman GONZALEZ. Well, Mr. Ruddy is like I am. He is more Irish by inclination. [Laughter.]

He really comes from South Dakota, and I do not know if he is Scandinavian. Mr. DeStefano says he is Italian. [Laughter.]

While we still have you here and to avoid sending you written questions, one of our prideful accomplishments or initiatives which we consider sort of a key feature of the bill, is that we specifically provide for an expanded role for State and local government or their designees in the rental production program. And on page 4 of Mr. Ross' statement the suggestion is made that we ought to go back to HUD and let it also be able to administer the assistance directly with the developer who may not find an appropriate agency.

What do you mean by that, since we are suggesting getting away from this HUD specifically designating either a local or a State or its designated agency?

Mr. ROSS. Our concern there, Mr. Chairman, was that in some cases, in a smaller or smaller community where you did not have a State agency, a State housing finance agency or a local housing finance agency, you might have a desperate need for housing for low and moderate income, but you might not have the cooperation of the local community. The community may not be formed. There

may not be an integral body that you can go to. It may be just a water district.

We were concerned that in cases such as that that there be the possibility of negotiating directly with HUD. Not in Houston, San Antonio, but in rural areas.

Chairman GONZALEZ. But even in the most rural areas, you still have a county, and we provide for the county or its designee or designated agency. However, I think you have explained your reasoning there.

Mr. EDSON. If I might elaborate. Say there is one community, like Black Jack, Mo., founded for the specific purpose of keeping a section 236 project out of the town. That was in 1970. This is the Lord's truth and it has been in court ever since.

Certainly you would not expect a developer in Black Jack, Mo., to go to the town council to get their blessing to go to HUD with the program. And as Congressman Lundine so well pointed out, his analysis of the bill was that it was a little bit tilted to urban areas because in some rural areas you do not have the capability. We are suggesting an escape valve there to take care of those two situations.

Chairman GONZALEZ. One final announcement and not a question, because I am finished with my questions, and that is that, I do not know if you are aware of it but I have challenged HUD's proposed action with regard to eliminating the eligibility of cities between 10,000 and 20,000 for mortgage credit, and in fact had prepared emergency legislation prior to March 31 to extend that eligibility.

However, I wanted to report to you that, thanks to the tremendous help of our ranking minority leader Mr. Stanton, we have been informed that HUD indeed and in fact is cancelling that decision. And we are awaiting the written indication of that. This is where we are right now. The only thing we are waiting on is the reported letter we are supposed to receive, and Mr. Stanton advised me of that just a matter of yesterday.

So that we are hopeful there and will not have to go into the process of emergency legislation.

Mr. EDSON. We really would like to congratulate you. I know the council was very, very concerned on that, and that was a job well done and thank you for that and for the opportunity to work with you and your very able staff, majority and minority, over the last few months in trying to at least help on this program.

Chairman GONZALEZ. Well, thank you very much, gentlemen. And once again, thank you for being with us and contributing so valuably to the processes of legislation. And we will be in a continued communication basis with the staffs.

Thank you very much, and the subcommittee stands adjourned until 9:30 tomorrow morning.

[Whereupon, at 4:05 p.m., the subcommittee was adjourned, to reconvene at 9:30 a.m. on Thursday, March 18, 1982.]

[The following additional correspondence was received for inclusion in the record:]

CITY OF HIALEAH

P. O. BOX 40
HIALEAH, FLORIDA 33011

City Hall, 501 Palm Avenue, Hialeah, Florida - Tel. 885-1531

March 18, 1982

The Honorable Henry Gonzalez
U.S. House of Representatives
House Office Building
Washington, D.C. 20515

RE: Section 108 Loan Guarantee Program

Dear Gongressman Gonzalez:

Please be advised that the City of Hialeah has been a recipient of the HUD Section 108 Loan Guarantee Program for the past year.

We have found the program to be an important tool for assisting us in our economic development activities. In addition, this program has proven to be both cost effective to the Federal Government, and is in line with the "new federalism" concept by allowing for local decision making authority.

Therefore, I strongly urge your support of this program, and to continue it into the next fiscal year.

Your cooperation in this matter will be greatly appreciated.

Sincerely,

CITY OF HIALEAH, FLORIDA

Raul L. Martinez
Mayor

RLM/FHM/haf

CITY OF SAGINAW, MICHIGAN
CITY HALL — 1315 SOUTH WASHINGTON AVENUE — SAGINAW, MICHIGAN 48601

RONALD M. BUSHEY
MAYOR

March 22, 1982

Congressman Henry B. Gonzalez
Room 2252 Rayburn Bldg.
House Office Building
Washington, DC 20515

Dear Congressman Gonzalez:

The City of Saginaw supports the provisions of the Housing and Community Development Amendments of 1982 (H.R. 5731) which provide $3.66 billion for Community Development Block Grant and $500 million for Urban Development Action Grant funding. These should be included in the First Budget Resolution. These two programs have greatly aided the City of Saginaw's neighborhood revitalization and downtown renewal. They are absolutely essential for continued revitalization, especially in light of our depressed economy.

The Section 312 rehabilitation loans also should be continued although the City doesn't support the provision that 60% of the loans be used for 1-4 unit properties. Saginaw has successfully used 312 loans to rehabilitate owner occupied property and would like to use all 312 funds toward this end. Our community has two rental rehabiliation activities, one funded by CDBG and the other by the Michigan State Housing Development Authority. Our use of 312 loans has been made quite difficult because these funds are not available many times despite legislation and circulars stating their availability.

In general, we support your package, with particular support for your proposals in public housing and rental housing. It is noteworthy that you have stepped forward to take a stand. I am urging our Congressional delegation to support your proposals wherever and whenever they can.

Sincerely,

Ronald M. Bushey

Ronald M. Bushey
Mayor

THE CITY OF UTICA

OFFICE OF THE MAYOR

CITY HALL, 1 KENNEDY PLAZA, UTICA, NEW YORK 13502

STEPHEN J. PAWLINGA
Mayor

TELEPHONE:
(315) 798-3200

March 24, 1982

Honorable Henry B. Gonzalez
Chairman, House Subcommittee
on Housing and Community
Development
2252 Rayburn House Office
Building
Washington, D.C. 20515

Dear Congressman Gonzalez:

We wish to voice our support for the continuation of the Section 108 Loan Guarantee Program in the 1983 Federal Budget.

Here in Utica, we have begun a successful housing program using the Section 108 Loan Guarantee Program. This program has allowed Utica to borrow against future Community Development Block Grant entitlements in order to carry out land acquisition and related relocation, demolition, site clearance and marketing activities. The $504,000 approved by this program in January 1981, has allowed the Utica Urban Renewal Agency to purchase from the City of Utica 200 properties from one neighborhood called Corn Hill, which were taken by the City over the years for back taxes.

The purchase of these properties by the Urban Renewal Agency for the amount of taxes owed, permits the city government to receive needed funds and permits a more flexibile development mechanism, the Urban Renewal Agency, to take over the development and marketing of these properties. The Urban Renewal Agency has devised an overall land use strategy for these Corn Hill properties which is consistent with the housing, economic and community development goals of the City's block grant program. Such planning allows these properties to be resold or developed in an orderly, comprehensive manner for appropriate uses and also allows these properties to benefit low-moderate income residents who comprise a significant portion of the Corn Hill neighborhood population.

Utica — America's Best Kept Secret!

The major emphasis of the program is to construct new houses for moderate-income persons. A partnership between the public and private sectors including the City, the Urban Renewal Agency, local developers and local banking institutions must be created in order for this housing project to become a reality. Subsidies either from a housing UDAG or CDBG funding will be needed to lower the costs involved to make housing affordable to moderate-income families. We are presently working on this phase of the program and if the various partners can agree, housing construction could take place this summer.

Because the Section 108 program has demonstrated its effectiveness both in Utica and elsewhere and since it actually involves little expense to the Federal government, we urge you to support this program and call for its continuation.

Sincerely yours,

Steve Pawlinga

Stephen J. Pawlinga
Mayor, City of Utica

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